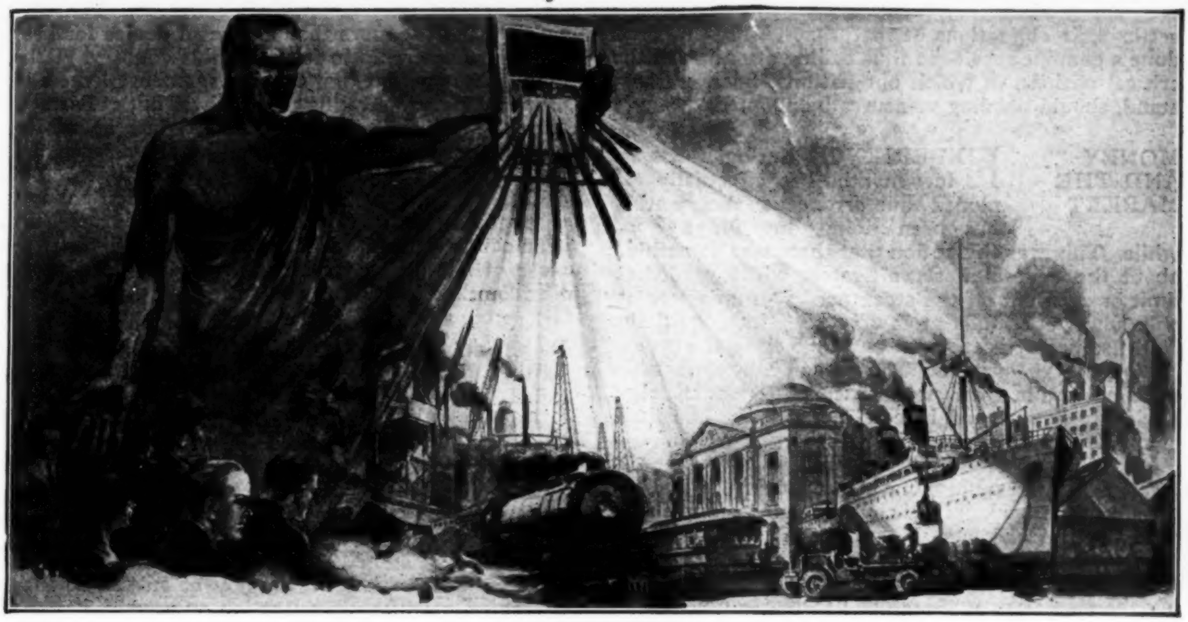

The Outlook

The German Situation—The Trend in Money Rates—Government Finances and the Bonus—Is Retention of Alien Property Justifiable? — The Market Prospect

REPORTS from various parts of the country establish the fact that business conditions in the second quarter of the year were superior to those in any similar period during the past eighteen months. The outlook for the next quarter of the year is somewhat obscured by the uncertainty existing in Europe and by prevalent labor troubles. There is, however, no indication that a decided lull in business may be expected during the summer season, though some slowing up in buying is to be expected as being the usual thing at this time of the year. Fundamentally, domestic conditions are sound and the broad trend continues toward greater industrial activity.

* * *

A COLLAPSE IN GERMANY?

AUTHENTIC dispatches leave no doubt that an economic collapse is impending in Germany. The sharp decline of the mark, to a point little more than half its value a month ago is alarmingly symptomatic of the situation. The question of paying the indemnity installment which was due and paid July 15 and which has seemed to be the point chiefly at issue in the negotiations with France, has really had only a minor significance.

Fundamentally, the problem at stake is the course to be pursued in the future reparations payments, and the principal factor in the whole situation is found in the circumstance that negotiations at Genoa and at Paris showed an entire indisposition on the part of the bankers of the world to interpose for the relief of the Germans. Manifestly, the only conditions upon which they are willing to come to the rescue involve, as an essential element, the revision of present reparations terms on a basis which will permanently solve this problem.

URGENCY OF THE TAX QUESTION

SENATOR BORAH'S powerful speech in the Senate, on July 6, deserves the attention of every taxpayer. Although himself a Republican, he exposes in the most scathing way, the pretenses of economy that are currently made by the Federal government, showing that an apparent Treasury surplus is produced only by sales of excess war material, by the use of income tax receipts based upon legislation now (since Jan. 1, 1922) revoked, and in other temporary, and hence deceptive, ways. This false appearance of fiscal soundness is, as Senator Borah points out, common to both Great Britain and the United States, and likely, in each country, to be shown in its true light before the end of the fiscal year now opening. Only a very short look ahead is, therefore, needed to see the results of what is now being planned in the way of national expenditure. This criticism, unfortunately, applies even to existing conditions of revenue and outlay. When to present objects of expense is added the fact that plans now framed in Congress contemplate a soldiers' bonus estimated to cost from $4,000,000,000 to $5,000,000,000, the seriousness of the situation grows apparent. Even without the bonus, it is estimated by the Secretary of the Treasury, the deficit for the fiscal year now opening will be near $500,000,000.

President Harding may succeed in forcing into the bonus measure, before it leaves the Senate, some form of new taxation, calculated to produce an income eventually sufficient to provide for the payments to ex-soldiers. With the bill framed as at present, such a measure of taxation will, however, be unlikely to supply more than a small fraction of the sum required during the first year, since beneficiaries may borrow at banks upon terms which require the Treasury to

settle their obligations at maturity. Mr. Borah has done a genuine service in thus calling attention to the critical position in which our national finances must stand, should pending measures be adopted.

* * *

MONEY AND THE MARKET

EXPERIENCE during the past few months has effectually exploded one erroneous theory that has been doing duty for a good while. This was the notion that there was something about the Federal Reserve System which tended to limit or even cut off the stock market from a reasonable supply of funds at low rates. Nothing of the kind has been traceable, at any time since the organization of the system. The reason why low rates have not made their appearance until recently has obviously been found in conditions which had little or nothing to do with our banking organization.

What has become quite evident has been that the reserve system cannot alone create a discount market, or induce the banks of the country to take their funds out of collateral loans. There was a measurable degree of success in this direction so long as acceptance rates were high enough to attract surplus funds. During the past year, it therefore became fashionable in some quarters to refer to the call rate as "dependent upon," or "fixed by" the acceptance rate, or to predict that call rates would never be really low again, due to the amount of funds in acceptance investment.

The past few weeks suggest that quite as strong an argument may be developed in the opposite direction, showing that acceptance rates are more or less dependent upon call rates. The truth is that American banks have not become accustomed to demand any particular kind of investment, while "outside" demand for acceptances is still very limited. Better rates for call funds attract bank surpluses, while higher acceptance rates, conversely, attract call funds from the market. There is still abundance of spare money for all current purposes—so much that rates are likely to be reasonable for some time to come.

* * *

"ALIEN PROPERTY" SALES

PRESIDENT HARDING'S letter regarding the disposal of former German chemical patents to the so-called "Chemical Foundation" revives the discussion of the whole question of alien property. The Chemical Foundation really represents the entire chemical manufacturing industry of the United States, and the sale to it of some 4,500 patents, for the nominal sum of $300,000 was in fact only a device amounting to revocation of these patents in favor of American competitors present or prospective.

No doubt President Harding's contention that the sum charged was merely nominal is sound. Even had it been intended to put into effect the plan devised for the establishment of the Chemical Foundation, substantially as finally carried out, there was every reason for insisting upon reasonable payment for the patents, proportionate to their true worth. This would have been true, no matter whether the sum realized was to go to the former German owners or to be retained by the United States. There is, therefore, ample warrant for the President's position.

The larger aspect of the whole alien property question, is however, sharply raised by this chemical issue. If it be true, as alleged by former Attorney-General Palmer, that the patents, if now recovered by the Government, must be returned to former German owners, it would seem plain that the sale of these rights was little more than a shrewd device for keeping their ownership in future in this country. It has long been apparent that the management of the alien property question during the war was out of harmony with the principles of international law as evolved during preceding years, as well as at variance with ordinary ideas of justice to the private citizen. This criticism holds true, not merely of our own policy in that respect, but quite as fully of the policies of European countries from which ours was copied. Since the close of hostilities, we have, moreover, been exceptionally slow in making restitution.

* * *

REVIVAL OF CREDIT DEMAND

A MODERATE decline in the reserve ratio of the Federal Reserve system and a moderate increase in the portfolio of bills held has now continued for about three weeks. It apparently grows out of the reviving demands of business, resulting in a broader marketing of paper and hence in a tendency to discount more freely with reserve banks.

Experience, since the "peak" of credit accommodation was reached in 1920, has shown that the Federal Reserve system partakes largely of an "emergency" character, coming into operation only when banks in some part of the country are fairly well "loaned up." Expansion of bills held is, therefore, to be regarded as even more significant than in foreign banking systems, because it shows the effect of demand growing out of shortage of local resources, rather than, as in England, a mere general rise or fall in the volume of credit available.

Such significance cannot, however, be fully understood without analysis of the returns made in the several districts. From detailed analysis, it becomes clear that shortage of credit may be purely local, the result of temporary or incidental pressure upon the market. That is clearly the case thus far; and the fact makes it plain that no general upward swing in the demand upon the reserve system is as yet to be noted. When such a demand does begin to make itself felt, the meaning will clearly be that a period of more than local credit exhaustion has set in, and that fresh credit and banking inflation is to be feared.

Thus far, the advance in prices that has taken place is not to be ascribed purely to banking changes, not even to increase of gold, conditions of lending and new credit creation having obviously been held within bounds. Present expansion of business cannot, however, be long continued without necessitating a new and severe demand for fresh banking accomodation.

* * *

MARKET PROSPECT

FOLLOWING the June reaction, the main upward tendency of the market has been resumed, with labor troubles appearing as the chief obstacles to steady progress. The wealth that annually is taken from the ground is about to be converted into purchasing power, and this being the second large crop season following the depression, should greatly stimulate business in all lines.

The fact that foreign affairs appear to have turned the corner, furnishes ground for encouragement. The definite statement by the English Government that it will repay the $4,300,000,000 which it owes this country, combined with the prevailing low rates for money in London and New York, should, before long, be followed by a renewal of the insistent demand for investments which was a feature earlier in the year.

Monday, July 17, 1922.

Will the Tariff Cripple Industry?

New Tariff Measure Leaves Consumer at Mercy of Profiteers—Of Dubious Benefit to Industry at Large

By HON. FURNIFOLD McL. SIMMONS
Ranking Minority Member of Finance (Tariff) Committee of the U. S. Senate

IT is difficult to write with moderation of the pending tariff bill when one considers its inevitable effect upon the business life of the United States. When I use the word business in this connection I mean its broadest possible application to the whole economic life of the nation; in fine, I am thinking of the effect on the welfare of the whole citizenry. **In effect the Fordney-McCumber tariff bill is a bill to destroy prosperity.**

As if we had not had enough business storms since 1914, brought about by causes beyond the control of legislation, the Congress of the United States now proposes to rival by artificial means the worst we have suffered from uncontrollable causes. At the very moment when everybody is agreed that taxes are unendurable and are an almost insuperable barrier to the return of prosperity and when Congress is trying to pare off a cent here and a dollar there, often to the great detriment of needed public works and to the impairment of the administrative functions of the government—even depriving executive officials of telephones and enforcing other boomerang economics—the majority is steadfastly bent on imposing on the nation a stupendous taxation law.

The tariff bill is just as much a taxation measure as an internal revenue bill, but with this important difference: while the latter takes away private wealth for public purposes, this tariff bill takes it away chiefly for private benefits.

I believe that in the aggregate the proposed tariff law will impose a taxation burden as great as that of the internal revenue law that we have imposed for the purpose of supporting the government and of meeting the expenses entailed by the costliest war in all history. And all but some $300,000,000 of this $4,000,000,000 of tribute will be taken from the wealth of all of the people and put into the pockets of a small minority. The people will not only pay the taxes on imports, which go directly into the treasury, but they must pay the resulting increase in prices of all the things they buy and consume, **whether foreign or domestic.**

Why Are Business Leaders Silent?

While it is hard to understand why the public has not risen in mass against this attack on prosperity it is impossible to conceive of the mental processes of many of our great masters of industry that have led them to support or countenance a wholesale assault on the business welfare of the country. They are supposed nowadays to have a wider view than that of a cross-roads storekeeper. They have their statistical and economic staffs, they are in touch, if anybody is, with the great undercurrents of commerce and industry; they are supposed to know the inviolable laws of trade and to be wiser than ordinary men regarding the effects of taxation and exorbitant profits on industrial activity. The whole commercial life of the world in all its recesses is an open and understood book to them. Yet, with a few exceptions, they are either violent partisans of this iniquity or have stood indifferently by and raised no voice of protest while its consummation has steadily approached. If ever there was commercial suicide on a continental scale here it is. The business men of America are active or accessory parties to a plan to reduce the volume of business about 20 per cent. Ten or fifteen per cent. is the margin between good business and bad business. To make its destructive purpose sure this tariff bill will lop off 20 per cent.

Contrast with Ship Subsidy Bill

Our leaders of trade and industry are almost a unit in advocating the maintenance of the American merchant marine at a subsidy cost of $40,000,000 or $50,000,000 a year. The President is almost willing to stake his political career on that subsidy. **Yet these particular business men and the President are for this tariff bill, which might accurately be termed a bill to destroy the foreign trade of the United States and doom us to commercial isolation.** On the one hand they are for ships because they want foreign trade, and on the other hand they are for a tariff that will destroy that trade. A visitor from Mars would say this was self-evident mania, and yet the thing is being done with all possible solemnity and with idiotic sincerity.

We have never had a tariff in this country such as the Fordney-McCumber bill is to give us. We have had revenue tariffs and we have had protective tariffs, but this is to be a tariff law to prevent trade, not to establish fair competitive conditions as between foreign and domestic producers in our markets, but to exclude foreign competition. These are not mere empty words—what I have stated is actually the principle of the nefarious measure. It is stated in Section 315 that the principle of the bill is to equalize "competition in trade." Every preceding protective tariff law has in theory, at least, been based on equalizing the *cost of production* as between this and foreign countries. This bill seeks to *equalize selling prices.* That is to say, it aims to establish a tariff that will bring the price of foreign goods sold in this country up to the price made by the domestic producer, *including his profits.* For the first time in our high tariff history it is proposed *not to protect production but to protect profits.* The domestic producer will make his price, including long profits, and this tariff law will defend them. If by any chance the oppressive rate written into the bill fails to do that, Section 15 authorizes the President to lift them as high as necessary to accomplish that end. This is the end of foreign competition, and as most of the great manufactured staples are under control in this country, it will leave the consumer absolutely at the mercy of the profit greed of the domestic producer. So, I repeat, it is proposed to give

HOW THE TARIFF BILL AFFECTS THE BILL OF FARE

Articles	House Bill	Senate Bill	Senate Bill Over House Bill	Senate Bill Over Act of 1913
Fresh Beef	2c. lb.	3½c. lb.	75%	Free List
Fresh Mutton	1¼c. lb.	2½c. lb.	100%	Do.
Fresh Lamb	2c. lb.	5c. lb.	150%	Do.
Fresh Milk	1c. gal.	2½c. gal.	150%	Do.
Cream	5c. gal.	22½c. gal.	350%	Do.
Poultry (Live)	2c. lb.	3c. lb.	50%	200%
Eggs	6c. doz.	8c. doz.	33⅓%	Free List
Macaroni	1½c. lb.	2c. lb.	33⅓%	100%
Wheat	25c. bu.	30c. bu.	20%	200%*
Apples	25c. bu.	30c. bu.	20%	200%
Vegetables	20% ad val.	30% ad val.	50%	100%

* Free from countries not imposing duty on our exports of this commodity.

us a prohibitive instead of a protective tariff.

Particularly Inopportune

Such a destructive principle of tariff making would be bad enough domestically at any time, though in practice it might not have had much effect on our foreign trade in the conditions that prevailed before the war, but now it is positively ruinous. Before the war we were a debtor nation, our annual interest payments to Europe were large, we were dependent upon her for her ocean transportation and our payments on that account were large. Moreover, Europe then had an abundance of gold, her currencies were at par with gold and she could pay for what she bought from us. To-day Europe owes us nationally about $11,000,000,000 and privately about $5,000,000,000; her currencies are debased; we have an adequate merchant marine and the gold of the world, and Europe not an ounce that she can spare. **If now we cut off or materially reduce our importations from Europe it is clear that it will be impossible for foreign countries, especially our allies, to continue to buy our products, to say nothing of paying their debts or even the interest on them.** With no gold to buy with—and we would dread to take the gold if they had it—they can buy from us only with goods, unless we extend them credit, and to put them further into debt to us would be only to bring disaster to them and to us.

It is plain, therefore that if Europe does not sell to us, we cannot sell to her. There is no other market for the major part of our surplus production. To exclude Europe from our markets is to exclude us from Europe's markets. As we have no other place for them, we shall be compelled to reduce our domestic production. **Our surplus will become worse than worthless. It will cease to be an asset and become a dangerous liability.** If we lose our foreign markets, or part of them, for our exportable surplus it is as certain as night follows day that unemployment of labor will follow reduction of production, that all expansion of industry will cease, that commerce will languish, that profits will disappear, dividends vanish, security values shrink and living standards drop.

Man as a Reasoning Animal

That so many of our generals and marshals of trade, with all the facts and all the economic science of the world at their command, should either be indifferent or should be parties to this garroting of prosperity is beyond all understanding. It goes to prove that man is not always a reasoning animal. These excessively high duties, with their inevitable reaction are not only illogical; they are insanity pure and simple, the insanity of overmastering selfishness, the dementia of shortsighted greed and avarice.

I warn the supposedly able leaders of our industries and trades that if they continue to support this insane folly, an outraged nation will demand by what right they occupy positions they fill only to abuse. They are the guardians of our prosperity and they must prove their competence.

The principle of the bill is vicious beyond adequate condemnation—the principle of protecting the profiters, or profiteers, as the case may be, in their self-determined profits—but the application is worse. To determine how much of a tariff is necessary, in the case of manufactured goods, to compel imported articles to sell at the plus-profit American goods price, the makers of this tariff have not taken present export prices of foreign products but the selling prices of foreign commodities in August, 1921, and, presumably, the selling prices of American products at that time. Moreover, it is German selling prices that were chiefly taken as the criterion of foreign prices. But since last August the tendency of foreign export prices, especially German prices, has been upward and of domestic prices mostly downward. The advance in German prices has been sensational. According to no less an authority than the Federal Reserve Board, there was an advance of 44.3 per cent in the index prices of wholesale commodities in Germany during the months of February and March. It is not surprising, therefore, to find that many foreign products are today selling in our markets at higher prices than the corresponding domestic goods. The consequence is that a tariff made to protect the profits of last summer, even if then reasonable for that purpose, is now much greater than the vicious new principle of tariff making demands. You may be sure that they were more than ample then; and, therefore, exorbitant now. The very same business men who are tolerating if not supporting this tariff monstrosity can be found preaching against the evils of inflation and warning against the dangers of a runaway market. Behind such an unscalable wall as this tariff will give there will be a wild orgy of inflation in all non-competitive lines, and then a crash that will be worse than that of 1920-21.

What Actual Figures Show

Now let us get down to actual figures. According to the best available information, the average ad valorem equivalent rates under the pending bill are from 50 to 60 per cent, as compared with 40 per cent of the Payne-Aldrich act, which was

(*Continued on page* 460)

PROTECTION
—Fitzpatrick in the St. Louis *Post-Dispatch*

LAYING THE FOUNDATION OF THE TARIFF WALL.
—Knott in the Dallas *News*.

TROUBLES OF A DOOR HANGER.
—Bronstrup in the San Francisco *Chronicle*.

How to Select the Best Stocks

A Simple Method of Doing Your Own Rating

By RICHARD D. WYCKOFF

SEVERAL years ago, that is, before the war, when the business situation was far different from that now prevailing, we made a survey of the various lines of business represented by securities listed on the New York Stock Exchange, in an endeavor to point out those which were most advantageous. At that time there were not nearly so many different lines of business represented in the stock and bond list, hence such an analysis was not so difficult as now; but within the last few years an astonishing number of new industries have been admitted to the trading; there have been comparatively few consolidations, so that the list as a whole is expanding rapidly.

The investor little realizes the amount of research necessary and the numerous angles from which these securities should be investigated if the proper selection is to be made. One must possess a wide business, economic, technical and security market experience in order to qualify as an expert in such matters; in fact, as we have previously shown, there are very few who can so qualify without technical aid.

The experienced investor is like a person who goes into a new and sparsely settled section of a town, and, seeing some recently erected stores, conceives the idea of going into the business of running a delicatessen, a barber shop, a notion store, or some other kind of enterprise requiring small capital and limited experience. He might make a go of it and he might not. The chances are—not.

Compare his method with that of the United Cigar Stores, which has an organization capable of selecting the most advantageous locations for its stores—a method so highly scientific that the success of the unit is practically assured before the commitment is made. The small storekeeper has little knowledge or capital, no facilities, no plan. That is why he is apt to get in wrong. He must either acquire such knowledge or buy it. He may well afford to buy.

ELEMENTS BY WHICH A SECURITY MAY BE JUDGED

A—ELEMENTS OF CHARACTER:
- Is it a necessity of modern life?
- Is it an essential industry?

B—ELEMENTS OF RECORD OR REPUTATION:
- What is its history?

C—ELEMENTS OF FUTURE POSSIBILITIES:
- What are the prospects for growth of the industry?
- Is there any menace to its future? What competition exists? Danger of failure

D—ELEMENTS OF CONTROL AND DIRECTION:
- What is the character of its management?
- What are its financial and business policies?

E—ELEMENTS OF FINANCIAL STRENGTH:
- Resources
- Intrinsic value per share
- Working capital
- Method of financing

F—ELEMENTS OF EARNING POWER:
- Is it a high or low cost producer?
- Margin of safety over fixed charges.
- Stability of earnings
- Percentage of fixed charges in proportion to dividend requirements

The Matter of Selection

Selecting a stock for investment is the equivalent of going into business. This is not true of bonds. In most cases bonds are secured by a mortgage; stocks are not. As a stockholder you are a partner in the enterprise and must take it for better or for worse—take your chances as to profits or losses. Therefore the proper selection is so important.

What kind of business do you prefer? There are all kinds. Would you go into the steel business with Judge Gary, or help Julius Kayser make gloves? Do you prefer to mine coal, or would you rather let Burns Bros. lug it around town for you in their Mack trucks?

How would mining gold in Alaska appeal to you? Or, would you rather search for diamonds in South Africa?

The making of gas is not a business to be sniffed at. Do you care to have the Rockefellers manage your property?

Which motor car do you prefer: Willys-Knight, Studebaker, or Pierce Arrow?

These are only a few of the large variety of enterprises in which you can engage by merely saying to your broker: "Buy me one hundred shares of that—or one share." Choose a business in which your money will be safe and will probably realize a profit.

Let us take a leaf from John D. Rockefeller's book. One of his main principles has been: Invest in the necessities of life. John D., through long practice, has become very shrewd. You and I can benefit by observing some of his methods. That is one. It explains why he has a large investment in oil, gas plants, electricity, restaurants, and in other closely allied fields—harvesting machinery, coal and iron mines, etc.

Immense fortunes in this country have been made by those who, in its early stages, got into an industry that had very great possibilities; Gould, Vanderbilt and Huntington, in railroads; Rockefellers in oil; Carnegie, Schwab and Gary in steel; W. B. Thompson, the Guggenheims and Senator Clark, in mining; Ford, Durant, and others in automobiles; the DuPonts in powder; Armour, Swift, and others, in packing; Duke and Whalen in tobacco. Many of these men were pioneers in their respective businesses. Some of them followed Carnegie's rule and put all their eggs in one basket.

We cannot all be leaders in our field, but who knows—one of you who are reading this may be the airplane magnate of this country. Somebody will be. He will look ahead, and grasp the opportunity while the industry is young.

As an investor, however, you must let others attend to the development for you and conduct these enterprises in your behalf, you taking a very small slice of the business and staying in it as long as you feel satisfied with the results secured by your partners, namely, those in the management. It is very important, however, that you select an enterprise that will develop, say, in the next five or ten years. Opportunity is here and now. Some of these stocks that you are considering will multiply in value ten, twenty, fifty and a hundred times in five or ten years. Which are they likely to be?

In deciding these questions, a broad survey of the field is necessary. There are so many avenues for profit—or loss—that we must be sure to take one or the other road to the desired goal and not the by-ways that might lead to the abyss of failure or the forest of nowhere in particular.

Methods of Distinguishing the Best

The journey toward investment success is a good deal like any other kind of traveling. In the investment field you can put your money in the savings banks, which is the equivalent of walking. You can ride in a slow-going, local train, investing for income only. In this mode of transportation you run little risk of a smash-up; you are pretty sure to get there. Your risk increases, however, as you cover the ground more rapidly. You are not satisfied with 6%. You want 8% or 10% on your investment. Remember then, you will not be secured by a mortgage; you must buy a preferred stock and run a risk of an interrupted dividend. If even the express train does not go fast enough, get a swiftly moving automobile, like Studebaker, or, as a last resort, if you must go the speed limit, get into an airplane like Mexican Petroleum—and take your chances.

In selecting the one who is to guide your vehicle, it is advisable to lean toward conservatism; for, remember, your investment life is being jeopardized. Would you choose someone of the John

W. Gates type, who would boost your stock into the clouds and then close your plant because he might be short of the stock? Or would you select a conservative man like Judge Gary, who would fatten your treasury so that you need never go without sustenance, though business might be bad? In case you prefer someone who would put most of the net earnings back into the business, then go to 26 Broadway. Those oil men have been very successful, and in the long run make it well worth your while to engage in business with them.

In the automobile field, you would hardly know whom to choose. The industry is remarkable for its rapid shifting from high to low gear. Studebaker is up this year, Maxwell is picking up, Durant promises to come back, DuPont is showing general-motorship among the leaders. Which is the best? You hardly know.

Many railroad enterprises look promising. You find the Vanderbilts still in command at the Grand Central, raising millions of money for new cars and locomotives. They must expect a big business. They have been running railroads for a long time. And those Pennsylvania people: they had a hard time of it during the war, but they appear to be making up for lost time, with their dollar - for - plant, dollar - for - dividend policy.

Then, there are Union and Southern Pacific, Atchison, and a lot of other good rail properties, well managed. What will you get out of them in dividends? Which will pay the most on the investment? Which will increase in market value faster than the others?

Your Fellow-Stockholders

It is also important for you to know the kind of company you will be in; that is, what class of people have their names recorded on the transfer books of the company with yours. There would be great advantage, for example, in being a stockholder of the Ford Motor Co., but not so much in being listed on the books of the Erie Railroad Co. Associates in the former case would be few and wealthy. Owning most of the business, they would do their utmost to buy you out, or squeeze you out; but so long as you stayed in they could hardly avoid making money for you. As an Erie stockholder, you would find yourself in the hands of a management which is very able but badly handicapped owing to the accumulated sins of former Erie managements. All that you and the others could do would be to hope that some day, somehow, your stock would be worth more money and pay you for holding it. But if the company should ever run upon the rocks, the reorganization would probably wipe you out unless you saw fit to pay a heavy assessment.

You may say "I will avoid such a situation by buying into a company whose earnings are large." You cannot avoid it that way. Earnings may be large now, but what about the future? Earnings are apt to fall off. Companies over-extend, just like individuals. Surprising changes have occurred in past years. It is not so much the earnings you must watch; it is the tendency toward greater or smaller earnings.

In every business, too, there is the question of overhead, fixed charges, all kinds of payments which must be met before the common shares are in line for dividends. What proportion of a company's earnings are absorbed by these items, and how wide a margin of safety is there between common dividend requirements and the amount left over after such charges? How has that margin been preserved in past periods?

Many other considerations must be thoroughly gone into if one would select the ideal stock for his purpose. No one wants a good stock in a poor industry; all are looking for the best stock in the best industry, but few take the time and the precautions necessary to its selection. When you stop to think that there are many undesirable securities in the market, and that someone holds every share that is outstanding, some idea may be had of the misadventures experienced by many travelers along the road toward success.

My idea is not to paint a difficult picture, but to show how many of these pitfalls may be avoided. So with these preliminaries, let us examine some of the main points on which the choice of an investment should be based. These may be roughly classified as per accompanying table entitled "Elements by Which a Security May Be Judged."

You may not be an analyst, a statistician, or even an accountant. You may have a fairly good idea of securities. Past study and observation may have enabled you to form certain opinions. How to classify and merge these opinions into one definite conclusion which will enable you to select or discard a security, may be made a comparatively easy task by following this formula:

Examine a company's affairs from the above standpoints, deciding whether in each particular this company is in an excellent, good, fair, poor or bad condition. Number these qualities as follows:

Excellent	— 5
Good	— 4
Fair	— 3
Poor	— 2
Bad	— 1

Then take up each of the factors, A to F, and put each company through that series of sieves in order to determine which of them will best stand the sifting process. I will take the list of stocks at random, selecting a few in order to show contrasts, and testing them with the question, Is this a necessity of modern life? and answering thus:

(A) Elements of Character

Oil: yes; we depend upon it for transportation, lubrication, illumination and other essentials. *Excellent.*

Submarine boats: not unless we have another war.

Tobacco: no; but it is habit-forming luxury. *Good.*

Railroad: yes; without this means of transportation, present living condition would be almost impossible. *Good.*

Airplane: no; but the future holds promise. *Fair.*

Fertilizer: necessary and desirable, but not indispensable; a certain amount of crops could be raised without it. *Good.*

Copper mining: yes; principally for electrical purposes, for which it is indispensable. *Excellent.*

(B) Past History As a Guide

Now take the next consideration; viz., the company's past history, for upon this depends the foundation thus far laid. Apply this test to a number of stocks and they work out this way:

Illinois Central—fine example of what far-sighted, conservative management, inaugurated by E. H. Harriman, can accomplish with a railroad property. *Excellent.*

Chicago Great Western—an ill conceived enterprise that has never paid a dividend on the common shares. *Poor.*

Consolidated Textile—a merger of recent years, which is still in the development stage. *Fair.*

U. S. Steel—a splendid example of modern industrial development. *Excellent.*

Northern Pacific Railroad—still suffering from St. Paul's competition; unable to maintain former dividend rate. *Fair.*

(C) Elements of Future Possibilities

The foregoing considerations have to do with the past. Now we come to the future. We shall endeavor to ascertain whether the industry, and then the company, is one which tends toward expansion or whether its product is one for which there is a shrinking demand, as per the following examples:

Tobacco—consumption of cigarettes expanding steadily, especially since the great increase in number of female smokers. Consumption of cigars increasing in smaller proportion. Therefore, cigarette companies: *Excellent.* Cigar companies: *Good.*

Mail Order—recovering from depression, but growth of business steady over an average of years, owing to popularity of this merchandising method. *Good.*

Moving Picture—conditions continually changing; strongest companies getting into ownership of theaters; production companies risky; leading producers and owners are—*Fair.*

Tire—a somewhat uncertain industry, not noted for large and stable earnings—*Fair.*

(D) Elements of Management

Chain stores—once established, these companies have made phenomenal growth due to policy of expanding out of earnings, and without additional capitalization. Principal companies, like Woolworth, Kresge, United Retail Stores. *Excellent.*

Bethlehem Steel—Mr. Schwab's great ability has as a steel man enabled his company to show large earnings in comparison with other companies. *Excellent.*

Baldwin Locomotive—company's policy in charging off heavily out of war

earnings, has enabled it to maintain 7% dividends on 30% of its capacity. *Excellent.*

Cuba Cane Sugar—over-capitalization and over-expansion during boom times put this company in a position where it barely escaped the financial rocks. *Poor.*

Studebaker—policy of making a high-class car in quantity, at a low price, has lifted this company to the foremost rank in the industry. *Excellent.*

(E) Elements of Financial Strength

American Car & Foundry: wonderful growth in resources and working capital over past twenty years; large reserve for future dividends; a leader in financial power and stability. *Excellent.*

Transcontinental Oil: largely over-capitalized; unconservative payment of dividends in previous years; company so weak in resources that it was obliged to make a deal with Standard Oil to develop its Montana and South American properties; future lies largely in these directions. *Fair.*

Southern Pacific: conservative management over a long term of years; large hidden resources; high credit; great financial strength. *Excellent.*

American Sumatra: payment of liberal dividends out of war earnings resulted in weakening of financial structure; dividends recently passed. *Poor.*

Miami Copper: low cost of production and strong financial position enabled company to continue dividends during depression. *Good.*

American Telephone & Telegraph: immense resources, including those hidden in subsidiary companies; enormous potential earning power; plant built and financed ten years ahead, largely out of earnings. *Excellent.*

(F) Elements of Earning Power

Am. Telephone & Telegraph: liberal margin over dividends recently increased to 9%; most desirable from standpoint of earning power. *Excellent.*

General Asphalt: deficit for past two fiscal years; present price entirely representative of oil potentialities in South American fields, most of which are unknown. *Fair.*

American Can: excess earnings for many years have gone to build up properties; company approaching point where distribution can be made; earnings $8 to $10 per share (estimated) on common stock. *Good.*

General Motors: bad showing during the depression; earnings estimated 1922 from $1 to $2 per share. *Poor.*

Cosden: estimated earnings upwards of $12 a share, against dividends of $2.50 on the common stock; a large producer of gasoline, practically controlled by Standard Oil of Indiana. *Excellent.*

How to Summarize

Having thus distinguished the good, bad, and medium qualities of the securities which you are examining, take one company at a time and summarize your judgment as follows, giving to each element its number according to its excellent, good, fair, poor or bad position.

Looking into Am. Telephone & Telegraph for example, we find that it possesses these qualities:

RATING OF
AM. TELEPHONE & TELEGRAPH CO.

Element	Qualifications	Rating	Rating No.
(a) Character	Necessity of modern life	Excellent	5
(b) Past record	Astonishing growth	Excellent	5
(c) Future possibilities	Unlimited	Excellent	5
(d) Management	Highest and most conservative	Excellent	5
(e) Financial strength	Very great	Excellent	5
(f) Earning power	Constantly expanding	Excellent	5
Total points in its favor................			30

From the above we learn that Am. Telephone & Telegraph is entitled to the highest rating. Its product—telephone service, is an absolute necessity. Its history is one of amazing growth and development. It is difficult to see what influences could check its growth. Its management is sound, conservative, yet progressive and far-sighted. It has established its credit on a very high plane, which enables it to raise large amounts of new capital even in adverse times, on advantageous terms. Its earning power is constantly expanding. It is, to a large extent, a monopoly, no serious competition appears, even in the wireless telephone.

In thus summarizing the position of this company, we have an example of the way in which the rating of all companies may be worked out by those who have sufficient knowledge of security analysis and corporate accounting, combined with the understanding of the past, present and future of leading corporations.

This method is comparatively simple in its application, and as it is the purpose of THE MAGAZINE OF WALL STREET to educate its subscribers to the point where they can work out these problems for themselves, we believe that this formula will generally be appreciated by them. We shall doubtless have frequent occasion to employ this method in our ratings of the numerous stocks analyzed in our statistical articles, our Investment and Business Service and in our Inquiry Department.

This method does not, of course, take into account the very important factors (1) whether it is time to buy or sell with respect to the long trend of the market, (2) technical position of the stock under consideration. These are factors which have much to do with the success of any investment operation. One may have the best stock on the list, but if he buy it at the wrong time, he may have to wait a long while for a satisfactory outcome—from a few months to a few years.

The technical position of a stock is also a highly important matter for observation and judgment, for this often makes a difference of from five to twenty points, even though the right stock be selected and purchased in accordance with the long trend. When, however, an investor has all three factors in his favor, namely, the right stock, the right trend, the right technical position, he is almost certain of success. We say "almost" advisedly, because there is still a question as to whether or not he possesses the requisite amount of patience. Without this, he is not likely to gather the full measure of what he would otherwise be entitled to by reason of his judgment and foresight.

One of the Most Imposing Sights in the World—A View of Lower Manhattan as Seen from the Bay

Investors' Vigilance Committee

Conducted by The Magazine of Wall Street in Cooperation With the Chambers of Commerce and Other Business Organizations

With this issue THE MAGAZINE OF WALL STREET inaugurates a department which has for its purpose a concentrated drive upon the fake promoter and the vendors and peddlers of worthless or near-valueless stock certificates.

BUSINESS turned the corner some months ago. In the past year many communities have been lulled into a false sense of security because of a distinct easing up in the efforts of the stock peddler to separate unwary citizens from their hard-earned funds.

As a matter of fact, the peddler of worthless stocks is a very intelligent individual. He does not believe in planting in harvest time or endeavoring to reap in seed time. He knows he cannot gather grapes of thorns or figs of thistles. He knows that in periods of deflation, when bank credits are being contracted, manufacturing production limited, and working men begin walking the streets looking for jobs—he knows it is not the time to open up on Main Street for the purpose of selling "stocks."

When the country is passing through those phases of its business life, your fake-stock salesman will be found acting as "producer" in a bucket shop. That is the time when bucket shops flourish, for the deflation period is accompanied and immediately preceded by a declining stock market and the fraudulent stock tout finds it easy to be taken on as one of the staff of salesmen in the fly-by-night brokerage offices.

The bucket shops are practically out of business today. THE MAGAZINE OF WALL STREET's drive against them started them to tumbling. It is difficult to estimate how many millions of dollars a month were saved to the traders and investors in listed securities as a result of the campaign initiated by this publication.

Signs That the Promoter Waits for

Business, as we have said, turned the corner several months ago. Unemployment has been greatly reduced. The cotton mills are busy except in a few territories where some of the operatives shortsightedly refused to accept the small cuts in wages that would have enabled them to keep on working full time instead of facing part time or even no time on a higher wage scale. Steel mills are operating at more than double the rate at which they were working less than a year ago. The corn crop is going to be a big one and farmers will be fairly prosperous this fall. It is true that labor may be getting—per hour—less money than a year ago, but, in actual dollars, considerably more money is being distributed.

These are indications that tell the promoter of crooked corporations, the vendor of worthless stock that the field is widening. They are preparing their campaigns now. The people have money again. They are beginning to breathe easily after the latest period of stress and once more are beginning to figure against the rainy day. **This fall and winter the business organizations of the country are likely to have their hands full circumventing the activities of the wicked.**

The formation of this Investors' Vigilance Committee, an organization made up of secretaries of Chambers of Commerce and other business organizations throughout the country, is therefore opportune. The importance of a national protective organization as a clearing house has been realized. The response has been remarkable, more than 60 secretaries having enrolled for active work in the past fortnight. Many other organizations have taken formal action in approval of the organization, and many thousands of reprints of the articles that have appeared in THE MAGAZINE OF WALL STREET describing the new traps for investors have been distributed among the individual members of these organizations.

It is well enough to preach "don't do this—don't do that." But it isn't enough. The glib-tongued stock salesman easily confuses his prospect with generalities and the warnings he has received are forgotten. But when the citizen has been made acquainted with the lures and traps, the methods and artifices of the swindling salesman, he instantly recognizes the "patter." He recalls instantly that the arguments, the company or one similar to it, and the whole scheme generally was described in THE MAGAZINE OF WALL STREET's article on the subject. As a result, the salesman finds it impossible either to hypnotize or bulldoze the forewarned, forearmed prospect. That—as so many secretaries have realized—is the value of the articles that have been reprinted and sent out to membership lists with the regular organization notices. All sorts of local organizations have thundered against patronizing bucket shops but the people continued to deal with them until the series conducted by THE MAGAZINE OF WALL STREET acquainted the public with the earmarks and the mechanical operating methods of the bucketeers.

The Dennison Bill

There are two ways in which the credulous are induced to buy stock. One is by word of mouth; the other is the appeal through the printed word. Blue Sky Laws do not reach those who use the United States mails, but there is pending in Congress the Dennison Bill, which would deny the use of the mails for the sale of securities "contrary to the laws of the states." It is pretty difficult sometimes to say that a security is fraudulent when the ink is not yet dry on the charter granted to the company by the sovereign state of Delaware or the equally sovereign state of Arizona—or when the state of Texas permits the company to broadcast that it is organized under the joint stock laws of the Lone Star State. And this last means that it is not a corporation at all, but that the name is merely a sort of registered trademark for a partnership with transferable interests. So the best that the Dennison measure can provide is that if a state bars or bans the sale of a stock, the mails shall not be employed to circumvent the Blue Sky boards. And that puts it right back up to the states again.

Every secretary of a Chamber of Commerce or other business men's organizations should study this Dennison Bill. Get your congressman to send you a copy.

Blue Sky Commissions can prevent stock-selling organizations from opening up in the state and selling their junk, but very frequently The Blue Sky requirements are evaded. There isn't any or much publicity regarding the applications that are made and rejected, nor is there any preliminary announcement regarding the applications that are made. **How many Chamber of Commerce secreta-**

DEALERS IN WORTHLESS STOCKS PLANNING TO TAKE ADVANTAGE OF THE BUSINESS BOOM

Business moves in a cycle. It is moving upward now.

The fake stock artist is not much in evidence when deflation is under way. He is usually to be found at that time engaged in the operation of a bucket shop.

When business mends the bucket shops close up. Their salesmen and other hangers-on bob up next as cappers and salesmen with fake stock-selling organizations.

They are preparing now for an early fall descent on the SMALLER CITIES of the country.

Look out for them! Is your own Chamber of Commerce in the list on this page? If not, speak to your secretary about it.

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ries in states having Blue Sky Commissions know what applications are pending today for permission to sell securities? But if they did know and the central clearing house for analyzing new promotions now taking shape under the guidance of THE MAGAZINE OF WALL STREET were made acquainted with the names of the companies and individuals pleading for peddling privileges, the broadcasting of the facts might disclose how the citizens of other communities already had been mulcted by the same organizations or bands.

Many of the business organizations in the country are wide awake, have managed to keep their communities fairly clean, and are just brimful of suggestions to others. There is no question that the Investors' Vigilance Committee will keep the crooked promoters on the run or force them to confine their operations to communities where business organizations are not officered by vigilant men.

In one or two cases it was rather shocking to be crudely and coldly informed by the secretary of the organization to whom an invitation was sent that "we feel that this matter can best be handled locally by some other organization" or "we are passing your letter along to somebody else."

On the other hand, it is encouraging to read the reports that are coming in from all over the field. Poughkeepsie has a live secretary in R. W. Budd, who has been imbued with the idea of a Bureau of Investigation with a central clearing house such as the Investors' Vigilance Committee to supply information to Chambers of Commerce.

Down in Florida there are a number of promoters who are keeping one lap ahead of jail and the Florida organizations welcome the assistance of a national organization which may help them to keep up with the records of the fake promoters in order that they may be driven from the state before they have time to exchange their worthless paper for real money.

A number of cities have adopted the Secret Committee system. The membership of this committee is known only to the president of the local organization and is changed from time to time without any one being aware of the fact. The committee passes upon all stock-selling campaigns. This, of course, is very good so far as warning the members of the Chambers of Commerce themselves are concerned, and while it curtails results for the fraudulent promoter it does not drive him out of town. The small individual, the wage earner, the man who most needs protection, probably never knows what the Secret Committee is or what its recommendations may be. Yet it is the little man who must be protected. It is his money that is being filched. The members of the Chambers of Commerce and other business organizations continue to suffer indirectly because they are deprived of the buying power and other support of their fellow citizens, and legitimate local industrial expansion is crippled because the small man, having been once burnt, is twice shy of anything that looks like a stock certificate. Therefore he cannot be counted upon to invest his funds in legitimate enterprises where they really would earn a tidy supplement to his income.

"The biggest difficulty with which we have to contend," writes a secretary of one local organization, "is to keep all our members lined up so that they will not forget themselves and give the stock-seller a hearing before requiring him to present his clearance card from us." This indicates another weak spot in the purely local efforts to curb these crooks. The movement must be national in scope, and the frauds stamped out, not merely labeled "dangerous."

Other letters that have come in indicate that some of the promoters are already on the ground and are laying their plans rather elaborately. And some of them, as one of our representatives writes us, "were immediately escorted to the railroad station and placed on the next train out."

One interesting instance of the manner in which the Chamber of Commerce can work through a committee is furnished by a cement corporation recently formed. The company, its plan, its promotion costs, the distribution of the promotion stock and the course to be taken by the funds raised by the sale of securities were all carefully traced by the Chamber of Commerce committee and a report made which recommended that unless the promoters changed their methods the members of the Chamber of Commerce would not approve the project.

Nothwithstanding the corporation had obtained a conditional permit from the state Blue Sky Commission and had also been permitted to sell stock in another Blue Sky state, the Chamber of Commerce committee in this particular community stood firm and the promoters have just now signified their willingness to change their organization to the extent required by the Chamber of Commerce committee.

The Chamber of Commerce committee, however, does not recommend that this stock be purchased, it merely makes a report of the plan of organization, the trade processes and financial position of the company as well as an analysis of the promotion cost and shows the people of the community exactly what the promoters get out of it. The public must then form its own conclusions. It has, however, the knowledge that the organizais not stamped as fraudulent and the promoters are not classed among the swindlers.

The Investors' Vigilance Committee has been launched. All the facilities and the long experience of THE MAGAZINE OF WALL STREET are as tools at its hand. It must trust to the wideawakeness of the secretaries of the business organizations for complete reports on all of the stock-selling schemes operating in their territory. As this data is received—and the original circulars and other literature should be sent in—it will be analyzed, indexed and checked, and the secretaries will be appraised by direct bulletin and correspondence regarding the co-ordinate or earlier operations of the stock-sellers. If the reader is a member of the Chamber of Commerce or other business man's organization he should bring up for discussion the importance of co-operation in the Investors' Vigilance Committee movement.

BUSINESS MEN'S ORGANIZATIONS CO-OPERATE WITH THE INVESTORS' VIGILANCE COMMITTEE AS PROTECTION FOR THEIR COMMUNITIES

In the last two weeks alone the following business men's organizations, through their secretaries or other responsible officers, have written to The Magazine of Wall Street signifying their desires to become associated in the campaign to drive the fake stock sellers outside the three-mile limit:

- Salt Lake City Chamber of Com.
- Great Falls, Mont., Chamber of Commerce.
- Marion, Ind., Asso. of Com.
- Muscatine, Iowa, Assoc. of Com.
- Fergus Falls, Minn., Chamber of Commerce.
- Norton, Va., Coal Oper. Asso.
- Richmond, Va., Cham. of Com.
- Denver, Colo., Civic & Commercial Association.
- San Antonio, Tex., Chamber of Commerce.
- Ft. Collins, Colo., Cham. of Com.
- Glendale, Cal., Chamber of Com.
- Ft. Worth, Tex., Cham. of Com.
- Dodge City, Kan., Cham. of Com.
- Miami Beach, Fla., Chamber of Commerce.
- Sanford, Fla., Chamber of Com.
- Dubuque, Iowa, Cham. of Com.
- Phoenix, Ariz., Cham. of Com.
- Battle Creek, Mich., Chamber of Commerce.
- Tulsa, Okla., Chamber of Com.
- Donna, Tex., Chamber of Com.
- South Bend, Ind., Cham. of Com.
- Oakland, Cal., Chamber of Com.
- San Diego, Cal., Cham. of Com.
- Pontiac, Mich., Board of Com.
- Montgomery, Ala., Chamber of Commerce.
- Jackson, Miss., Chamber of Com.
- Stamford, Conn., Cham. of Com.
- Greenwich, Conn., Chamber of Commerce.
- Niagara Falls, N. Y., Chamber of Commerce.
- Hudson, N. Y., Cham. of Com.
- Welch, W. Va., Cham. of Com.
- Greensburg, Pa., Cham. of Com.
- Jacksonville, Fla., Cham. of Com.
- Jobbers' & Manufacturers' Association of Virginia.
- Allentown, Pa., Cham. of Com.
- Yonkers, N. Y., Cham. of Com.
- Trenton, N. J., Cham. of Com.
- Birmingham, Ala., Chamber of Commerce.
- Pensacola, Fla., Cham. of Com.
- Kansas City, Mo., Chamber of Commerce.
- Ellwood City, Pa., Chamber of Commerce.
- Ft. Smith, Ark., Cham. of Com.
- Kankakee, Ill., Chamber of Com.
- Kansas City, Kan., Chamber of Commerce.
- Macon, Ga., Chamber of Com.
- Independence, Mo., Chamber of Commerce.
- Gloucester, Mass., Cham. of Com.
- Camden, N. J., Cham. of Com.
- Marshfield, Wis., Cham. of Com.
- Lewiston, Me., Chamber of Com.
- Belvidere, Ill., Cham. of Com.
- Clarksburg, W. Va., Chamber of Commerce.
- Fond Du Lac, Wis., Chamber of Commerce.
- Hartford, Conn., Cham. of Com.
- Hartford, Conn., Chamber of Commerce, Inc.
- Gloversville, N. Y., Chamber of Commerce.
- Auburn, N. Y., Cham. of Com.
- Keene, N. H., Chamber of Com.
- Springfield, Mass., Chamber of Commerce.
- Statesville, N. C., Cham. of Com.
- Bayonne, N. J., Cham. of Com.
- Poughkeepsie, N. Y., Chamber of Commerce.
- Woonsocket, R. I., Chamber of Commerce, Inc.
- Miami, Okla., Cham. of Com.
- Bridgeport, Conn., Chamber of Commerce.

Is Prosperity Ahead for the Farming Population?

What is the Outlook for Grains and Livestock?—The Prospects for Cotton — Will There Be Enough Wheat to Go Around?

An Analytical Survey of the Crop Situation, Prepared Exclusively for THE WALL STREET MAGAZINE

By THE U. S. DEPARTMENT OF AGRICULTURE

BEFORE ambition had unsettled the sense of proportion of certain crowned heads in Europe, and while international trade, like international relations, was still plodding along in more or less conventional grooves, no single industry meant more to the American business man than the agricultural industry, or was watched with greater interest. Summed up in the expression, "the American farmer represents one-third of the buying power in this country," was the knowledge that if crops were good business would be good, and if crops were poor business would suffer, and merchants, railroad men, mail-order men, automobile manufacturers and all the host of other manufacturing groups expanded operations or restricted operations whether consciously or unconsciously to concur almost exactly with the status of the farmer.

With the bloody upset abroad a thing of the past, and trade which. for nearly five years was unbalanced, irrational and abnormal tending gradually back to former standards, the overwhelming importance of our crops is once more becoming an accepted fact. Like echoes from a remote generation, business is once more discussing the outlook for railroad traffic in terms of the cotton crop and the wheat crop and the oats crop; the nation's purchasing power is again being estimated, as it should be, on the basis of the current price of corn, live stock, cotton, and the like.

In the light of this "return to normalcy," which may be welcomed as one of the most refreshing and encouraging signs of the times (because it takes business out of the realm of artificiality and restores it upon sound fundamentals), the present condition and prospects of our agriculture takes on a special significance. Will the cotton crop be large enough to replace depleted stocks on hand? How much livestock will be produced this year to lower the cost of living? What is the outlook for wheat and coarse grains and truck products? These are questions on the tip of every alert business man and investor's tonue today.

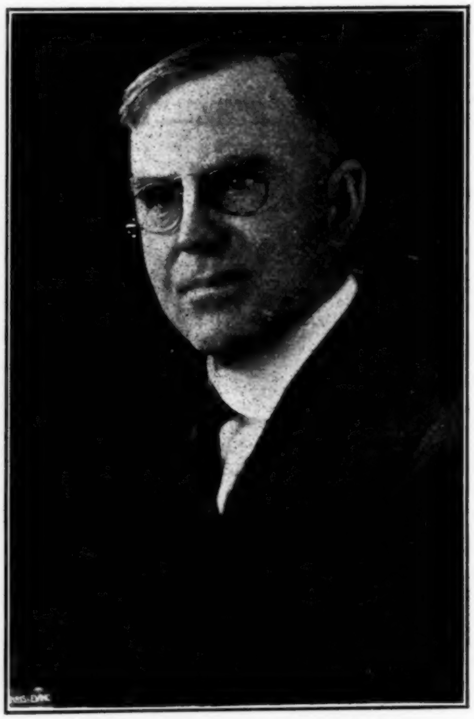
On the eve of the Government's analysis of crop conditions as of July, The Magazine of Wall Street sought the co-operation of the Department of Agriculture in answering some of these questions. The department responded splendidly with the following official statement, prepared exclusively for our readers.

IN making any statement on the 1922 crop outlook in this country only a forecast as reached by the Department of Agriculture can be given. In making this forecast numerous safeguards have been erected but Nature is the chief arbiter of the size of crops, and between now and harvest many things can change the indicated production. August is the critical month for cotton and other crops can lose much of their promise after July.

On the whole, the outlook for crop production this year is good. Considerable increase in production is indicated at this time as compared with the 1921 situation, but production will be far below the record production of 1920. Production last year was about the same as the 1910-14 average. In 1920 production was 17 per cent larger than the 1910-14 average. Acreage of 19 leading crops this year totals 341,753,000 acres compared with 345,140,000 acres last year or a reduction of 1 per cent. The reduction is principally in winter wheat and oats.

Forecasts of production of cotton and oats, crops that have much weight in figuring the average production of all crops, are considerably below the five-year average of 1916-20. Forecasts of production of a few other crops, such as barley, flax, and rice are only slightly below the five-year average. Crops that promise a production somewhat above the five-year average are corn, wheat, hay, rye, white and sweet potatoes, tobacco, apples, peaches, and many vegetables.

Among individual crops, corn is far in the lead in magnitude and value. Production of 2,860,245,000 bushels of corn is forecast this year as indicated by conditions July 1. Production in 1921 was 3,080,372,000 bushels, and the 1916-20 average was 2,830,942,000 bushels. Acreage this year is placed at 103,234,000 acres, compared with 103,850,000 acres last year.



HON. HENRY C. WALLACE

Secretary of Agriculture, whose department prepared the accompanying discussion of the crop situation especially for The Magazine of Wall Street

Cotton's Outlook

Acreage of corn has increased this year in most of the Corn Belt States, but decreases are shown in the cotton states. Iowa has a decreased acreage this year of 2 per cent and Missouri shows a decrease of 3 per cent. The crop in general has made good progress except in the Southeast where cotton is given a preference. In the Corn Belt growth has been slow east of the Mississippi River, but the stands are good and fields are fairly well cultivated. Farther west rapid growth has been made.

Production of cotton is forecast at 11,065,000 bales of 500 pounds gross weight as indicated by conditions on June 25th. This compares with 7,953,641 bales last year; 13,439,603 bales in 1920; 11,420,763 bales in 1919, and 12,040,532 bales in 1918. Acreage planted to cotton this year is estimated at 34,852,000 acres as compared with 31,678,000 acres July 1, 1921.

The cotton crop is always one of uncertainty until early September. The crop usually improves in condition in June by a fraction more than 2 points and declines a fraction more than 3 points in July. The process of deterioration is much accentuated in August, when the average decline is more than 7½ points, and in individual years reaches a high deterioration of about 18 points, as in 1902 and 1918.

The increased cotton acreage this year is regarded as a partial return to normal conditions, resulting from better prices and low stocks. The enormous stock of old cotton carried into the new crop year beginning August 1, 1921, has largely been consumed and the moderate sized carry-over of this year will not greatly reinforce the forecast crop of little more than 11,000,000 bales.

Increases in acreage are shown in all states except South Carolina and Georgia. The boll weevil is reported more numerous this year than ever before in the history of American cotton industry. In the Southeast the damage is already reported as considerable, but on account of the lateness of the crop it is difficult to estimate the exact damage.

The acre yield of cotton has decreased steadily during the past twenty years and increased acreage has been necessary as an offset. From an average yield of 174.3 pounds per acre in 1871-80, there was an irregular decline to 169.5 pounds in 1880-89, then an increase to 190.8 pounds in 1897-1906, followed by a decline to 177.6 pounds in 1911-20, and to 169.3 pounds in 1912-21. The yield in 1921 was 124.5 pounds, the lowest on record. The forecast on June 25 for this year was 152 pounds.

Acreage of cotton increased to about 37,000,000 acres just before the beginning of the World war, but low consumption, relatively low prices, and high cost of production subsequently held down acreage until in 1921 it was only 31,678,000 acres. The 10 per cent increase in acreage this year appears to be a step in the return to the pre-war acreage.

Wheat

Winter wheat has substantially been harvested and threshing is proceding with results that indicate a crop of good quality. Production of winter and spring wheat together is forecast at 817,000,000 bushels, compared with 795,000,000 bushels last year, and a 1916-20 average of 799,000,000 bushel. Acreage is estimated at 56,770,000 acres. Stocks of all wheat on farms July 1 are estimated at 31,641,000 bushels, or 4 per cent of the 1921 crop. Stocks for the five-year average of 1916-20 were 33,443,000 bushels.

Increases in winter wheat production are indicated in all states except Nebraska, Kansas, Texas, Oklahoma, Utah, Idaho, Washington and Oregon. In Kansas the crop was severely damaged in most sections by the middle June heat wave, and in some places entirely destroyed by hail storms. In Nebraska grain in most centers is shriveled as result of drouth, high temperature and winds. Shriveling is reported in Oklahoma, with black chaff and take-all in some sections. Yields in central and northern Texas are small, ranging only 2 to 12 bushels. There is drouth in Utah and Idaho. Washington has had dry weather and smut is reported in some sections. Large increases in spring wheat production as compared with 1921 are forecast for Minnesota, North Dakota, South Dakota, and Montana. A decrease of 3,000,000 bushels in Washington is forecast.

Wheat production in this country has been very elastic. While population has increased, wheat exports, including the wheat equivalent of flour, fell to about 75,000,000 bushels in each of the two years beginning July 1, 1910 and 1911, and it was the general opinion that wheat exports from this country would soon be a matter of history. Then came the World war and with it greatly increased production and exports. Exports of wheat continued to increase after the war and in the fiscal year beginning July 1, 1920, reached the record total of 366,000,000 bushels. The wheat crop of 817,000,000 bushels this year will feed the population of 110,000,000 people, seed nearly 60,000,000 acres and provide a substantial national surplus for export.

Oats, Barley and Rye

Oats are generally reported as very poor to fair, although good yields are expected in a few states. A crop of 1,186,626,000 bushels is forecast for the country as a whole, compared with 1,060,737,000 bushels in 1921, and a 1916-20 average of 1,412,602,000 bushels. Production of barley is forecast at 181,586,000 bushels, compared with 151,181,000 bushels last year, and a 1916-20 average of 197,447,000 bushels. Production of rye is estimated at 81,998,000 bushels compared with 57,900,000 bushels in 1921, and 67,800,000 bushels, the 1916-20 average.

The general public little realizes the importance of the hay crop composed of various grasses and legumes, yet in 1921 hay was the second crop of this country in value. In some years the crop has been exceeded in value by cotton, or wheat, or both, and always by corn. This year production of 107,000,000 tons is forecast, as compared with 96,800,000 tons in 1921, and a 1916-20 average of 102,000,000 tons. Acreage is estimated at 74,345,000 acres. Heavy yields are reported from the Lake region, the Corn Belt and the Northwest. The crop has been damaged by dry weather in the Pacific Northwest and Colorado and by weevils in Idaho.

Truck crops such as tomatoes, strawberries, cabbage, watermelons, and lettuce are much more abundant than they were last year. Production of potatoes is forecast at 429,000,000 bushels compared with 347,000,000 bushels in 1921. The increase is largest in the western and northwestern states being 75 per cent in North Dakota, 66 per cent in Colorado, 39 per cent in Idaho. Practically all other important producing states show increases of from 5 to 10 per cent.

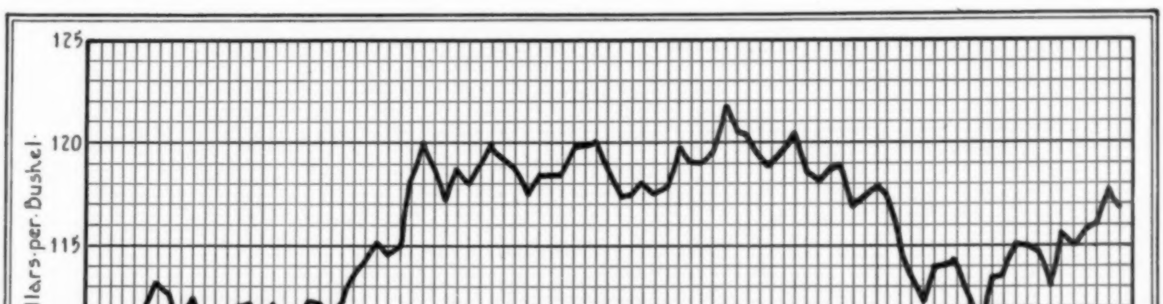
Production of 111,000,000 bushels of sweet potatoes is forecast this year, compared with 98,700,000 bushels in 1921. Commercial apples are estimated at 31,400,000 bbls., compared with 21,200,000 bbls. in 1921; all apples at 190,000,000 bushels, compared with 98,000,000 bushels; peaches 54,300,000 bushels, compared with 32,700,000 bushels. The rice crop is forecast at 39,100,000 bushels, compared with 36,500,000 bushels last year.

Production of 1,415,000,000 pounds of tobacco is indicated, compared with 1,075,000,000 pounds last year. Increases in tobacco acreage are: Kentucky, 45 per cent; Maryland, 36 per cent; Virginia, 25 per cent; North Carolina, 13 per cent; Tennessee, 35 per cent; Ohio, 24 per cent; Indiana, 25 per cent. Wisconsin, Pennsylvania and New England show decreases.

The Live-Stock Industry

In the live-stock industry, increases in pig production, of swine stock and marketings during the year are indicated. But while increased production of pork is in

(*Continued on page* 471)



The above graph, based on daily closing prices of September wheat futures on the Board of Trade, shows the narrow range in recent months. The final upturn was attributed to fears of railroad embargoes, increasing drought in some sections and likelihood of renewed foreign buying due to recovery in exchange

Foreign Trade and Securities

Are Italian Bonds Safe?

In Some Respects Italian Government Issues Show Up to Better Advantage Than French Bonds, Yet They Should Be Considered Speculative

By THOMAS B. PRATT

IN many respects, the Italian financial situation resembles the French, an account of which was published in THE MAGAZINE OF WALL STREET a month ago. The war left Italy in a crippled condition and her efforts to recover have been handicapped by the delay in the solution of the many European financial and economic problems, principally the German reparations question and the Russian situation.

Italy's present condition is graphically disclosed in the table accompanying this article. Her total debt prior to the war was slightly over 15 billion lire and this has been increased to over 110 billion lire. Her present outstanding note circulation is about ten times as large as it was prior to the outbreak of the war, whereas there is little change in the amount of her gold holdings. Her government expenditures have been multiplied nearly ten-fold while her receipts have not kept pace with that ratio. There is the same discrepancy to be noted in the ratio of increase that has occurred in her imports and exports.

The Public Debt

Like the other Allies, Italy was hard pressed to raise funds during the war to carry on her share of the burden. In 1914, she brought out what was known as the Mobilization Loan amounting to one billion lire. This was a large loan at that time but it was a mere pittance in comparison with the borrowings that had to be made at later dates. The second national war loan was issued in 1915 and was for 1,147,224,800 lire. In 1916 the third national war loan was brought out, amounting to a little over 3 billion lire. The fourth, in 1917, totalled nearly 4 billion lire. In the following year the fifth war loan was issued and that was for 6¼ billion lire. There were no other war loans issued until 1920 when the sixth national consolidated loan was offered. The amount of that loan was 20 billion lire. In the meantime the Italian government has been doing considerable short-term financing. Beginning in 1916, it issued three and five-year Treasury Bonds, the first three series of which have already been retired. There have been about thirteen series issued altogether and the amount now outstanding is somewhat over 5½ billion lire. The government also financed itself by borrowing from the three Italian banks of issue. On October 31, 1921, it had borrowed a total of nearly 23 billion lire in Treasury notes of one year or less maturity and there had been issued over 10½ billion lire bank and state notes for government account. During the war Italy also borrowed from the United States under the Liberty Loan Acts a total of $1,648,034,050.

The problem of the Allies was to win the war and to do so they had to raise money in every possible manner. The cost of such expenditures as had to be made and of the extraordinary financing that had to be undertaken could not be reckoned at the time. The Allies were fighting a struggle that we in America, even with our huge contribution to the cause, could hardly appreciate. Italy and France particularly are now paying for the character of financing they had to utilize during the war and immediately after the signing of the Armistice. The most serious effect that it has had on the economic status of those two countries is the depreciation that has taken place in their currencies.

ITALY'S FINANCIAL POSITION

	Pre-War Lire	1919 Lire	1921 Lire
Funded debt......	10,051,243,000	57,953,604,000	See Note
Floating debt......	5,084,262,000	11,555,995,000	Do
Gov't revenue.....	3,252,074,000	21,877,000,000	18,071,000,000
Gov't expenditures..	3,248,790,000	33,507,000,000	28,783,000,000
Imports	3,645,600,000	16,516,600,000	*26,853,000,000
Exports	2,512,000,000	5,188,600,000	*11,757,000,000
Note circulation...	2,283,400,000	....	21,433,500,000

* Figures are for 1920.

Note—On October 31, 1921, the debt of the Italian Treasury was as follows:

	Lire
Pre-war public debt..............................	13,394,000,000
War loans..	35,956,000,000
Treasury bills (one year or less)................	22,997,000,000
Three and five-year bonds........................	5,699,000,000
Bank and State notes issued for State account....	10,648,000,000
Foreign loans	20,964,000,000
Current account with deposit and loans State bank	644,000,000
Total public debt..................................	110,302,000,000
Interest charges, 1922...........................	5,198,700,000

Par of exchange is used to calculate foreign loans. At current rate about 75,000,000 lire should be added to above total.

Their problem today is the balancing of their budgets, the gradual retirement of their floating debt so as to bring up the ratio of gold to notes outstanding, the reduction of imports to bare necessities and a greater degree of productiveness and thrift on the part of their peoples so as to increase their foreign trade. These things take time to accomplish, and with Europe disorganized as it is by the total collapse of Austria, the practical collapse of Germany, and by the total destruction of Russia through Bolshevism, the problem has been one that is difficult for Americans to understand.

Before the war England, Russia, Germany, France and Italy did a large business with one another. Credit was on an established basis, currencies were stabilized by the gold standard and fluctuated but little, and commerce between these nations was not only large but also profitable. In the United States we have had some conception of present conditions in Europe through the loss of our foreign trade as the result of Eprope's inability to buy from us due to the premium European nations must pay for American goods because of the depreciation in their exchanges.

The effect of such conditions upon European nations has been much more serious than it has with us, and that is the reason we have been able to recover so much more quickly than our Allies. In order to appreciate the condition in Europe it would be necessary to conceive of a similar situation existing between the important states of the Union. If, for example, New York, Pennsylvania, Ohio and Illinois had different currency systems, and if one of these states were in possession of the I. W. W., another were bankrupt, and a third had a depreciated currency system that necessitated its paying a premium of three or four hundred per cent for its purchases in the fourth state, some idea of the chaos that has existed in Europe for the past two or three years could be had.

As stated above, Italy owes the United States Government over $1,600,000,000. While this Government has appointed a commission to consider the best method of funding this debt, it becomes more likely each day that the ten billion dollars owed the United States by our Allies will have to be cancelled. There are certain very good reasons of a political nature why these loans should not be cancelled at the present time. It is not generally felt in this country that Europe has gone far enough in helping herself. It is

thought that the present unsettled condition in Europe is due to some extent to international jealousies stirred up by the politicians of the old school. The unsettlement in Europe must be handled as a modern problem by Europeans first. When they have worked out a definite, feasible plan, then the United States will be ready to help to put that plan into operation. Doubtless one method will be a cancellation of the debts owed this Government.

Outside of the political debts that Italy owes, her foreign debts are exceptionally small, and this is a strong factor in her favor. Italy has not endeavored to float large dollar loans in the United States. There is one loan that was underwritten in this country, but it is for less than $10,000,000. Italy's indebtedness in that respect is considerable less than many of the neutral countries of Europe and than several of the South American countries. The dollar loan was floated in 1920. The amount issued and outstanding is $9,979,550. The bonds are listed on the New York Stock Exchange and are selling at about 96. They are due in 1925. The yield is about 8% at present prices. The bonds carry 6½% interest.

The fact that Italy's main debt is mostly internal simplifies her financial problem to a great extent. It is not necessary for her to have a large export balance in order to pay interest on this debt. It is necessary for her to levy heavy taxes, of course, but the money stays in the country and goes from one pocket to another. Most of the national war loans are 5% loans that have no definite maturity. After February 1, 1931, however, the government may call these loans for payment at par and holders will be granted the option of either accepting par for their bonds or of accepting a lower interest rate. This is quite a usual method of government finance in Europe, and it permits the borrowing governments to reduce interest payments as conditions become normal.

Foreign Trade

There has been an enormous increase in Italy's foreign trade. This is due both to the necessity to purchase goods to aid in the reconstruction of the country and also to the heavy decline in Italian foreign exchange as compared with the dollar. Imports increased from over 3½ billion lire in 1913 to nearly 27 billions in 1920. Exports increased from 2½ billion lire in 1913 to 11¾ billions in 1920. The most favorable development, however, was the increase in exports in 1920 over 1919. The 1919 exports were less than half those of 1920. This shows that the country has made important strides in its productiveness.

While the balance of trade is greatly against Italy at present, this in itself is not a particularly bad sign. Italy has always had an unfavorable balance of trade, but this has been made up by the expenditures of tourists in Italy and by remittances from Italians residing abroad. Before the war these remittances averaged about 500 million lire annually. In 1919, one Italian bank alone received 4949 million lire of such remittances and in the following year there was 980 millions sent to Italy through that one source. It is estimated that over one billion lire is being spent by foreigners traveling in Italy this year. It is quite likely that this figure may be doubled or even tripled.

In 1921, the budget of Italy estimated that there would be a deficit for the year of 12,640 million lire. Actually the deficit was reduced to 10,712 millions. For this year the estimated deficit is 10,370 million lire but actually the deficit will be about 5,000 millions. For 1923 it is estimated that there will be a deficit of only 2,762 million lire, but these figures have been criticized, and it is quite likely that there may be an actual balancing of the budget. If actual figures for this year show such an improvement over the estimated figures as took place during the past two years, it would not be surprising to have a surplus shown at the end of the fiscal year. At any rate, the results during the past two years indicate the strong financial management of the Italian government and speaks well for the future finances of the country. This is considerably better showing than France has been able to effect. The figures given above do not include any amounts expected from war indemnities.

Italy's Economic Future

Italy should be able to work out her present problem in time in a satisfactory manner. There is little in her situation that should cause any uneasiness. Her problem, of course, is a difficult one, but her statesmen and leading business men and bankers have been going about its solution with considerably more tact and thoroughness than has been shown by the leaders in some other countries. The war has awakened Italy to the necessity for the development of her own resources, and important strides have been made in the past few years in agricultural development and in industry. In agriculture, particularly, Italy has room for much improvement. She will be able to produce much more in the future than she has in the past, and the agricultural organizations that have been formed during the past few years will be of great assistance to that country in years to come.

Industrially Italy is handicapped by lack of coal, but even in this respect the war has shown her that her industries may be modernized and operated more efficiently and profitably. Furthermore, there is a strong tendency toward use of the huge water power facilities of Italy for electrical purposes.

Conclusion

Trading in Italian bonds in this country has been exceptionally heavy, particularly in the war loans. There is an active market for the consolidated war loans in practically all the large cities of the country. At the present time, however, trading in these bonds is decidedly speculative, and profits and losses are dependent not so much upon the character of the security as upon exchange rates. In fact, much of the trading that has been carried on in this country in Italian bonds, outside of the dollar issue, has been nothing more nor less than speculation in Italian exchange. It has proven a convenient form of exchange for the average person to deal in.

For a long pull, over a period of years, it may be that purchases of Italian internal securities at present prices will prove profitable. There is in the background, however, the uncertainty over the German and Russian situations and the investor should bear in mind that a proper solution of these two problems is essential to Italian reconstruction. From an investment viewpoint, while Italian war loan issues may have an inherent element of soundness, nevertheless, with the exception of the dollar loan, they are speculative. Conceding that these issues in time may reach higher levels, there are better and safer investment opportunities at home.

DETAILS OF ITALIAN BOND ISSUES

Name of Security	Rate (%)	Interest Dates	Year of Issue	Maturity or Maximum Due Date When Redeemable by Sinking Fund	Amount Outstanding
Loan Maremmana Ry.	5	Jan. 1-July 1	1862	99 years	£1,512,220
Rentes of 1863	3	Apr. 1-Oct. 1	1863	*Perpetual	Lire 160,070,866
Railway Loans of 1896	3	Jan. 1-July 1	1896	*†1986	£35,088,960
Net Rentes of 1902	3½	Jan. 1-July 1	1902	Perpetual	Lire 943,437,637
Credit Communal and Provincial	3¾	Apr. 1-Oct. 1	1904	1964	Lire 139,012,500
Rentes of 1906	3½	Jan. 1-July 1	1906	Perpetual	Lire 8,097,724,447
1st Natl. Mobilization Loan	4½	Jan. 1-July 1	1915	Jan. 1, 1940	Lire 1,000,000,600
2nd Natl. War Loan	4½	Jan. 1-July 1	1915	Jan. 1, 1940	Lire 1,147,224,600
3rd Natl. War Loan	5	Jan. 1-July 1	1916	Jan. 1, 1941	Lire 3,018,092,800
4th Natl. Consol. Loan	5	Jan. 1-July 1	1917	Optional after 1931	Lire 3,985,473,600
5th Natl. Consol. Loan	5	Jan. 1-July 1	1918	Optional after 1931	Lire 6,245,000,000
External Gold Bonds	6½	Feb. 1-Aug. 1	1920	‡Feb. 1, 1925	$9,979,550
6th Natl. Consol. Loan	5	Jan. 1-July 1	1920	Optional after 1931	Lire 20,000,000,000
§Lottery Loan	5	Feb. 15-Aug. 15	1921	Within 7 years	Lire 1,000,000,000
Treasury Bonds	5	Apr. 1-Oct. 1	1917-22	Three and five years from date of issue	Lire 5,699,000,000

* Subject to 20% Italian Income Tax. † Repayable at fixed rate of lire 25.25 to £ sterling. ‡ Principal is also payable in Rome in lire at fixed rate of lire of per dollar. § Not legal for purchase in United States.

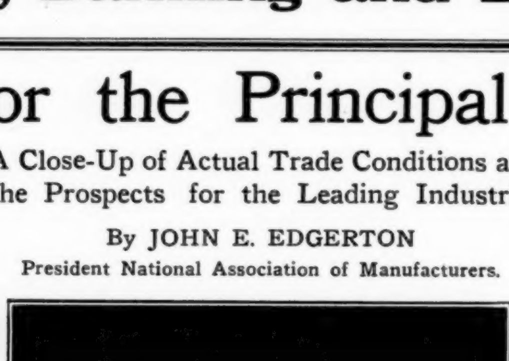
Money, Banking and Business

Outlook for the Principal Industries

A Close-Up of Actual Trade Conditions and the Prospects for the Leading Industries

By JOHN E. EDGERTON

President National Association of Manufacturers.



INDUSTRY and business in general will show substantial increases in earnings the coming Fall and Winter. I have formed this conclusion from contact with large numbers of business men, particularly in the East and Central sections, whom I have met within the last few weeks. I have noticed a very good meed of confidence among them; and, more than that, the majority of them say not only that their orders are beginning to increase, but that they are preparing for extensions within the near future. In the industrial centers I have found that there is a slight increase for the better as to present business, while a very large number of establishments are preparing for extensions of their forces which will mean the addition of millions and millions of dollars to the payrolls of the country for the coming year.

From reports that have come to me recently from the industrial centers all over the country, I find that there is a perceptible upward movement in the majority of lines. It is slight and slow; but it is steady, certain and stable. These reports are the most promising vanes to my mind. They show that there are far more persons employed this year than at the same time last year; and also that the unemployment situation has improved wonderfully throughout the country, even in spite of the fact that we are now approaching our proverbial slack season. In one state alone official reports show that the number of persons unemployed has dropped from 500,000 to something like 200,000, which is even smaller than the normal situation.

The most promising thing to me is that all of this is an indication that we have passed through our worst period of pessimism. We have had various threats from some of the destructive elements of labor, but these have come to naught. We have had pessimistic misgivings from some of our business men, but these have been dissipated by the volume of good business which has constantly been getting better. We have had predictions of panics, but there have been no panics. We have had rabid statements from our perennial doctrinaires who believe the country is always on the brink of social or industrial revolution; but I believe our country today is stronger than it ever has been, stronger commercially, industrially and in the respect the people bear for its time-honored institutions of law and order.

After-Effects of a Great War

Following a great war, a nation is always at its ebb in its business and social currents. I am impressed that our country has well survived this flood of pessimism solely because the calm psychology of the great mass of the people has served as a bulwark against disaster and economic diseases. Fundamentally, the people themselves have undergone mental deflation and have come to recognize and accept the fact that everyone, from the president of our fine republic down to the humblest toiler, must work conscientiously and meet his obligations to the very best of his ability. As the great prosperity of this country was builded by incessant and intelligent work, so the present safety and stability of the country depend on hard work and incessant work. The day of the drone and the man who desires to live easily and without work—a day that always follows a great war—has passed. In its stead has come the day of performance, good-will and disposition to give full measure as well as the desire to receive full measure, whether that be at the counting-house or the coal mine.

I am an optimist at all times; but I do not believe in being a blind optimist. I fully recognize the danger of too much optimism and too little performance; but I am firmly convinced that the whole country is slowly, but surely coming once more, and soon, back to that period of industrial and business prosperity based on the sanity of steady performance. This optimism is strengthened by the reports the National Association of Manufacturers has received from thousands of manufacturers all over the country, and in all lines of production, and also by observations that must be patent to anyone in any part of the country who takes the trouble to look about him.

Results of Survey

Our recent survey represents something over 30,000 replies to various questions asked regarding business and the future. In a general way the great majority of the basic industries report that the present trade is fair to good; some say it is excellent; only a small percentage say it is poor. There is a general tenor of bright prospects for the future; and a great many of the industries report not only that they now are employing far more men than a year ago, but that they are planning for still greater increases in their forces when the Fall work sets in.

Among the key industries, the reports class the iron and steel trade as excellent in six per cent of the plants reporting; good in twenty-five per cent; fair in fifty-two per cent, and poor in seventeen per cent. For the Fall this industry reports prospects of excellent business in four per

cent of the replies; good in fifty per cent of the replies; fair in forty-three per cent and poor in only three per cent. And bear in mind that these replies come from a conservative group of business and industrial executives. Compared with last year, seventy-five per cent of these factories and mills report conditions better; fifteen per cent report them lower and ten per cent report no change. Stocks are reported normal in sixty per cent of these industries, low in thirty-three per cent and over in only seven per cent, which is a very healthy condition even for today. As to employment, a large increase is reported in twenty-four per cent; a small increase in forty-seven per cent; a large decrease in only six per cent and a slight decrease in twenty-three per cent. But for the Fall the outlook is for a large increase in thirty-two per cent of the factories and mills, a small increase in sixty-eight per cent; while not a single one reports that it does not expect to make some increase.

Textiles

Take the textile industries; seventy per cent report conditions at present from fair to excellent, while thirty per cent class their business as poor; but for the Fall ninety per cent report prospects strongly from fair to excellent; with the majority believing conditions will be good. Only eight per cent fear for poor business. Again, fifty per cent of these mills report that they are employing more men than a year ago; thirty per cent report no change; twenty per cent report a slight decrease. As to employment, these mills report large increases at present in twelve per cent; small increases in fifty-five per cent, while the remainder report a slight decline; but for the Fall these industries look for a marked increase in employment in seventeen per cent; small increase in seventy per cent, while only ten per cent are making no plans for extensions and only three per cent look for decreases.

In the machinery and tool industry we find eighty per cent reporting present conditions as from fair to excellent and the remainder reporting not so encouragingly. Ninety per cent look for fine business in the Fall. Seventy per cent report business better than a year ago; sixteen per cent see no appreciable change and fourteen find decreased business. Some of them have increased their factory forces up to the present; but for the Fall ninety per cent look for a decided increase in the working forces and less than ten per cent look pessimistically at the situation.

Construction, we find, is proceeding at a remarkable rate; which in turn means greater activity for every correlated industry. Even up to the present, five per cent of our reports show excellent business, while thirty per cent class their improved business as good and forty-five per cent call it fair. A very small percentage report business as slow to poor. But, again in this industry, there is almost a unanimous opinion that the immediate future and the Fall will bring excellent business, as ninety per cent of them report making plans for extensions to meet the greatly increased demands. Seventy-two per cent of the replies show much better business than last year, while seventeen per cent report no appreciable change as yet.

In the mineral oil, coal, gas and public utility field, one hundred per cent report present business as from fair to excellent; fifty-three report it as better than last spring; twenty per cent report stocks on hand as low, an equal number over and the balance as showing no change. Increases in their working forces are reported by fifty per cent of the plants answering, while the employment outlook for the Fall shows one hundred per cent anticipating increases, with conservative estimates predominating.

More than ninety-two per cent of the replies received from the lumber and wood products industry report business as fair to excellent, while more than ninety-three per cent attest their belief that business for the Fall will be in the same category. Business is reported better than last year by more than seventy-two per cent; only eleven per cent finding it lower than last year, while in twenty-two per cent of the cases stocks on hand are reported low, six per cent over and the rest normal. An increase, in most cases small, is reported by seventy-eight per cent, while eighty-eight per cent of the industries of this class anticipate further increases in the Fall.

In the glass trade present business ranges from fair to excellent in seventy-eight per cent of the cases, while the same condition of business is anticipated for the Fall by one hundred per cent of those reporting. Business for this year is reported better than last by more than sixty-four per cent, only five per cent finding it behind. Stocks on hand are reported low by twenty-five per cent of the plants, five per cent reporting themselves overstocked and the balance normal. Employment increases are shown by more than sixty-nine per cent of those answering, while one hundred per cent anticipate increases in the Fall.

Chemicals

In the chemical industries eighty-three per cent representing the survey show per cent business in the fair to excellent class; ninety-three per cent look for the same showing next Fall, eighty per cent report an improvement over last year's business and more than twenty-seven per cent report low stocks on hand. Increases in employment are reported by fifty per cent in this industry, nearly eighty-five per cent affirming their expectations of further increases this Fall.

"The most promising thing is—that we have passed through our worst period of pessimism. We have had various threats from some of the destructive elements of labor, but these have come to naught. We have had pessimistic misgivings from some of our business men, but these have been dissipated by the volume of good business which has been constantly getting better. We have had predictions of panics but there have been no panics. We have had rabid statements from our perennial doctrinaires who believe the country is always on the brink of social or industrial revolution; but I believe our country today is stronger than it ever has been. . . ."

Of those reporting in the drug trade, not one is on record as calling business poor, all the answers attesting it is from fair to excellent, with the same uncertainty in the outlook for Fall business. Present business, as compared with last year's, is reported better in ninety-two per cent of the cases, only seven per cent finding it behind last year's mark. In thirty-three per cent stocks on hand are given as low, the rest being normal. None of those heard from in this industry report a decrease in the number of employees, while all look for increases, small in most cases, in the Fall.

In the food industry, present business is reported as fair to excellent in ninety-three per cent of the cases, while the same condition is expected for the Fall by one hundred per cent. An improvement over last Spring's business is shown by fifty-six per cent of the replies with twelve per cent reporting a slump. In twenty-eight of the cases, stocks on hand are given as low, with six per cent finding themselves overstocked. Increases in employment are reported in eighty-five per cent of the plants, while there is no dissenting opinion as to employment increases in the Fall.

Paper

Present business in the paper and paper products industry are reported fair to excellent by ninety per cent of those represented in the survey, and ninety-five per cent look to a Fall business of the same character. More than eighty per cent find their business this Spring better than last year and sixty per cent report stocks normal. Increases in their working forces are reported by nearly sixty-six per cent and ninety-two per cent expect from small to large increases in Fall employment.

In the cement, brick and tile trade present business is reported as fair, good or excellent by all of those represented, while ninety-six per cent anticipate the same condition in their Fall industry. Better business as compared to last year is the experience of eighty-eight per cent in this line with eighty-five per cent reporting stocks on hand normal. Increases in employment are shown in seventy-five per cent of the cases, with eighty-nine per cent anticipating increases next Fall.

In the paint and varnish industry all those reporting are enjoying a business classed as fair, to good or excellent and all look for the same business in the Fall. Better business than last year is reported by eighty-eight per cent; thirty-three show stocks on hand low, only nine per cent overstocked and the rest normal. Seventy-five per cent are carrying increased working forces and all expect further extension in the Fall.

In three lines of business that are sensi-

(*Continued on page 476*)

Trade Tendencies

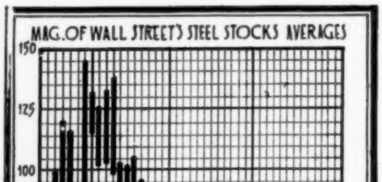
Business Continues to Improve

General Situation Featured By Satisfactory Tone in Trade and Industry Despite Labor Troubles

STEEL

Strength Maintained

The railroad shopmen's strike and scarcity of certain classes of labor have injected new elements of uncertainty into the steel and iron situation, which,



TO JULY 12

added to the existing difficulties created by the coal strike, accentuate the necessity for adherence to policies of caution on the part of producers. New buying is less active than it has been, although this is partly due to the usual summer dullness characteristic of the steel business and the industry has lost none of its firmness through this quieting down.

The mills continue to struggle with current obstacles in an endeavor to meet the needs of consumers with respect to deliveries and the tendency of production is toward further increase. Whether this month's production will show a gain or loss depends, of course, upon the possibility for continuation of the coal and railroad strikes. At the present time, the probabilities favor settlement of these difficulties at an early date.

Heavy material, such as plates, bars and structural shapes, are in strong demand. Minimum prices for the former have been advanced from 1.60 cents to 1.70 cents. Tinplate is likewise in very active demand and independent mills are running at capacity. Inadequate labor supply and car shortages have caused producers of this product to fall behind in deliveries. The railroads are still placing sizeable orders for equipment, the total business for the first six months of the year reaching approximately 100,000 units.

Prices of steel products generally maintain an upward trend, although the large producers refuse to be stampeded into a policy of extensive price advances, believing that conservatism in this direction will ultimately work to the greatest advantage of the industry. Any marked let-down in demand could be more easily faced without serious readjustments in quotations under this method.

The extent to which steel production has felt the influence of changed conditions is reflected in the output of 16,000,000 tons of ingot steel for the first half of this year as compared with a production of 10,000,000 tons in the same period last year and with 9,000,000 tons in the second half of 1921.

Pig iron production continues to increase in spite of the fuel handicap, which is growing, coke prices showing sharp advances. June output was some 47,000 tons greater than in May, the former being the eleventh consecutive month of gain. Last month's rate of production shows an increase of 182% over July 1921, when output was at the lowest.

COMMODITIES

(See Footnote for Grades Used and Unit of Measure)

	1922 High	1922 Low	1922 Last*
Steel (1)	$35.00	$28.00	$35.00
Pig Iron (2)	25.00	17.75	25.00
Copper (3)	0.14	0.12⅝	0.13⅞
Petroleum (4)	3.50	3.25	3.50
Coal (5)	4.20	1.75	4.16
Cotton (6)	0.22⅞	0.17	0.22¾
Wheat (7)	1.46	1.11	1.14½
Corn (8)	0.78¾	0.47	0.64
Hogs (9)	0.10⅝	0.08	0.10½
Steers (10)	0.09½	0.08½	0.09⅜
Coffee (11)	0.11⅛	0.09¼	0.10¾
Rubber (12)	0.20½	0.14¼	0.15
Wool (13)	0.57	0.45	0.55
Tobacco (14)	0.20	0.20	0.20
Sugar (15)	0.05	0.03½	0.05
Sugar (16)	0.06½	0.04¾	0.06½
Paper (17)	0.03¾	0.03½	0.03½

* July 12

(1) Open Hearth billets, $ per ton; (2) Basic Valley, $ per ton; (3) Electrolytic, c. per pound; (4) Pennsylvania, $ per barrel; (5) Pool No. 11, $ per ton; (6) Spot, New York, c. per pound; (7) No. 2 Red, Chicago, $ per bushel; (8) No. 3 Yellow, Chicago, $ per bushel; (9) Sight, Chicago, $ per bushel; (10) Top, Heavies, Chicago, c. per lb.; (11) Rio, No. 7, Spot, c. per lb.; (12) First Latex crepe, c. per lb.; (13) Ohio, Delaine, unwashed, c. per lb.; (14) Medium Burleigh, Kentucky, — per lb.; (15) Raw Cubas 96° Full Duty, c. per lb.; (16) Refined, c. per lb.; (17) Newsprint per carload roll, c. per lb.

THE TREND

STEEL — Railroad shopmen's strike, coal shortage and labor scarcity are without marked effect on steel industry although there is a tendency to unsettle the immediate market. New buying less active but price still tending to advance. Trend of production upward.

METALS—Copper in strong position as production fails to expand at rate anticipated earlier in year. Renewed demand for red metal as consumers are less confident of material price recessions.

OIL—Industry in stronger position as seasonal demand for gasoline is under way and imports of Mexican oil decline. Developments in Mexican fields foreshadow higher prices for domestic crude oils.

TIRES—Sales during June at record rate in Akron district. Prices unsettled by further cutting. Future uncertain.

SUGAR — Encouraging prospects for sugar companies as domestic and export consumption continues at high rate and prices for raw and refined continue advance.

SILK — Strong demand for artificial silk. Raw material quotations again advance. Mills increasing production. Industry faces brighter future.

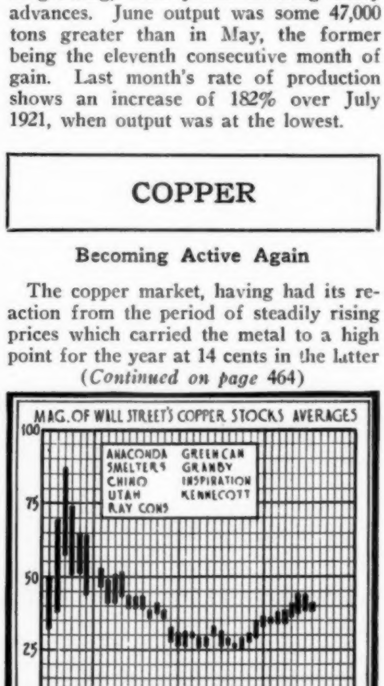
SUMMARY—Strikes interfere with business recovery and summer slackening slows activity in some lines, but general business continues to make good gains and no setback is anticipated. Commercial failures have passed their peak. Prospects for good crops and rising prices for farm products indicate improved purchasing power for agricultural districts with consequent heavy demand for goods in later months.

COPPER

Becoming Active Again

The copper market, having had its reaction from the period of steadily rising prices which carried the metal to a high point for the year at 14 cents in the latter

(*Continued on page* 464)



TO JAN 11

Bonds

Sound Bonds Yielding a High Return

Unusually High Yields Offered by These Bonds—An Excellent Opportunity for Profitable Investment

By R. M. MASTERSON

THE general improvement that has taken place in many lines of business has, to some extent, been reflected in the market prices of certain bonds and stocks. Other issues have risen to a point where their price is anticipating an even further improvement in the general conditions of the industry they represent. There is still a third class of securities, however, that has not as yet fully discounted the improvement in fundamental conditions that has already taken place. It is with the bonds of this last classification that we are concerned in this article.

It is evident, that if a bond can be found that is still selling at a fairly attractive yield and if the company is in a position where its future is definitely assured, then that particular bond should be an especially attractive purchase.

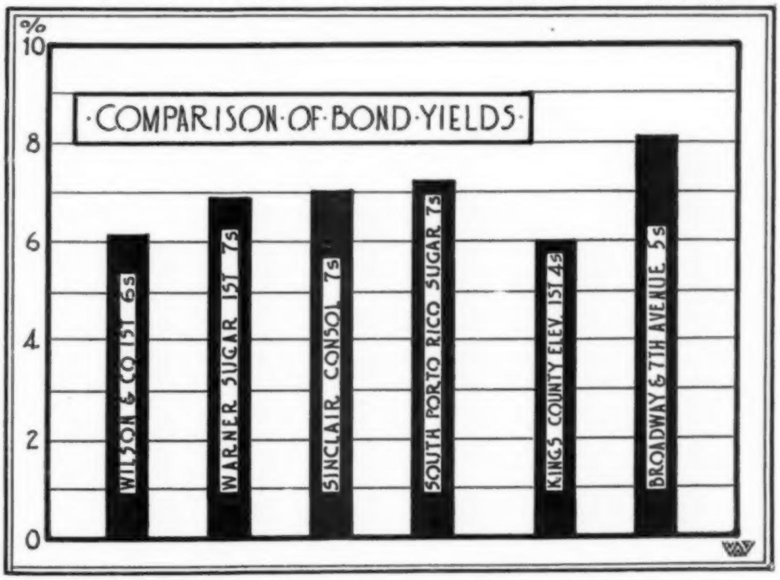
Take the sugar industry, for example. A very decided improvement has come about in the demand, with a corresponding increase in the market prices of both raw and refined sugars. In fact, it is generally agreed that this industry now rests on a stable basis. Accordingly, the securities of the sugar companies deserve a higher credit rating, and if a bond of a sugar company can be found that is fundamentally sound but which has not shared, proportionally, in the general advance in bond prices, then, that issue should be a good purchase for further appreciation in value.

With the foregoing principles in mind, the writer has selected six bonds which are well secured and at the same time offer a substantial average yield. The selection is made up of four industrials and two public utilities. In each case the underlying conditions are sound and all evidences are that a substantial market appreciation can eventually be looked for.

WILSON & CO. INC.
1st Mortgage 6% Bonds 1941

Although Wilson & Company has lost money over the past two years the company has come through this trying period of readjustment with flying colors. The losses were primarily due to declining inventory values which overbalanced the profits that were derived from operations.

All packing concerns are liable to suffer inventory losses of this kind and Wilson & Co. was by no means alone in its dilemma, as practically none of these companies have been able to show profits for at least two years. The difficulty lies in the fact that the Packers are virtually obliged to purchase whatever live stock the stock raisers forward to them. If they were to refuse this live stock the ranchers would soon be unable to continue to raise the live stock and the Packers would find themselves without a source of supply. It takes about thirty days from the time stock is received "on the hoof" until it is shipped from the Packing House ready for consumption and as the Packers operate on a very narrow margin of profit per pound it is evident that a steadily declining market for meat prices is always costly to them. In times of rising prices, however, this condition of affairs is reversed and the inventory account at times shows a handsome profit.



Sound Position

In spite of its losses, Wilson & Company's balance sheet, dated December 31, 1921, showed a sound cash position, with current assets of approximately four times current liabilities. Since the beginning of 1922 the company is reported to be operating at a satisfactory profit. Inventories at the close of the year were written down to market prices and as the trend since then has been upward the outlook for the company is excellent.

The First Mortgage 6% Bonds of this company afford an opportunity for sound investment at a yield of better than 6%. The Bonds are outstanding in amount of $23,047,000, and are secured by a direct first mortgage on all the company's properties and in addition by the pledge of bonds and stocks of subsidiaries. These properties comprise very valuable real estate in New York, Chicago, Kansas City and elsewhere. According to the Balance Sheet of December 31, 1921, the Plant account alone was shown to have a net value of over $31,670,000 and total net tangible assets behind the First Mortgage 6s (exclusive of any valuation for good-will, brands, etc.) stood at over $76,000,000.

Following the First 6s, there are outstanding approximately $18,000,000 Convertible 6s; $10,000,000 Convertible 7½s; $10,300,000 7% Preferred Stock and 202,500 shares of no par value Common Stock. At current market prices these junior securities indicate an equity of more than $44,000,000 over and above the outstanding First Mortgage Bonds.

The Wilson & Company First 6s are in a very similar position to the Armour Real Estate 4½s, which are now selling at about 91, yielding less than 5½%, whereas at 98 the Wilson First 6s yield close to 6¼% and at this price the latter may be confidently bought.

WARNER SUGAR REFINING COMPANY

1st Mortgage 7% Bonds of 1941

As has been previously stated, the sugar industry has shown a very substantial recovery from the chaotic conditions of a year ago. Stocks on hand have been reduced and since the first of the year prices have been showing a marked upward trend as both foreign and domestic demand has increased.

The Warner Sugar Refining Company 1st Mortgage 7% Bonds of 1941 are one of the best sugar bonds available today. The company is primarily a sugar refiner. Its plant is located at Edgewater, N. J. (opposite 125th Street, New York City) and is one of the largest and best single sugar refineries on the Atlantic Seaboard.

This refinery has a daily capacity of 11,000 barrels. In addition, the company owns plantations in Cuba having an annual output of about 925,000 bags of sugar. The company, through a subsidiary, also owns a stave mill in New England which turns out over 10,000 finished barrels a day.

Security of Bonds

The First Mortgage 7s of 1941 are issued and outstanding in amount of $6,000,000 and are secured by a first closed mortgage on the entire fixed properties and equipment which were appraised in November, 1921, at over $9,700,000. According to the Balance Sheet dated December 31, 1921, the net tangible assets amounted to about $22,000,000 available for the $6,000,000 First Mortgage 6s and of this amount over $7,300,000 was in net current assets.

The Bonds are redeemable on and after December 1, 1922, at 110 and interest, less half of one per cent for each 12 months elapsed thereafter. A sinking fund, payable semi-annually, provides for the retirement through redemption or purchase of at least $4,275,000 of the entire issue before maturity and if bonds are purchasable at or below 105 the sinking fund will retire practically the entire issue before maturity.

For the year 1921 Warner Sugar Refining Company reported sales of over 717,000,000 lbs., as against 694,000,000 lbs. for 1920, and profits from operations for 1921 amounted to $1,392,895 or more than three times a full year's interest requirements on the 1st Mortgage 7s. These earnings were quite a contrast to the huge deficits that were reported over the same period by practically all other sugar companies, refiners and producers alike. Over the five preceding years, to December 31, 1920, net profits, after Federal Taxes, averaged over $1,400,000 per annum, or about three and one-half times interest requirements on the present amount of outstanding First Mortgage 6s.

The company has a successful record of operation back of it. The First Mortgage Bonds are well protected by assets and the company's accomplishment in showing a profit over last year when the sugar industry was virtually in a state of demoralization, speaks well for it. The Bonds look especially attractive at their present price of 101, yielding only a shade under 7%.

SOUTH PORTO RICO SUGAR CO.

1st Collateral Sinking Fund 7s

Another excellent sugar issue is the 1st Collateral Sinking Fund 7s of the South Porto Rico Sugar Company, one of the best managed and most profitable enterprises in the entire sugar industry. This company was one of the very few last year to earn a balance for its common stock. Owing to the sharp drop in sugar prices, however, and difficulty in liquidation of inventory, the floating debt increased and it was deemed best to issue $6,000,000 bonds to eliminate the floating debt and thereby place the company on a sound financial footing. Accordingly, these bonds were issued December 1, 1921. They have twenty years to run being due December 1, 1941. They are non-callable up to December 1, 1930, after that at 105 and interest.

These bonds are particularly attractive. They are a closed mortgage on $15,000,000 of property and current assets alone are in excess of the total amount of outstanding bonds.

The company has never failed to earn interest and preferred dividend requirements since 1903, indicating its high earning power.

South Porto Rico Sugar should profit greatly from the recent upturn in sugar prices and it is expected that this year a very fair balance will be returned for the common stock. Both principal and interest on the 7s seem in an unquestionable position and at the present price of 98 with a yield of 7¼% they may be considered among the most attractive bonds that can be secured.

KINGS COUNTY ELEVATED RAILROAD CO.

First Mortgage 4s of 1949

This company is a part of the Brooklyn Rapid Transit System. The bonds, outstanding only in amount of $7,000,000, are an absolute closed first mortgage on very valuable elevated lines operated in conjunction with the B. R. T. subway. The property covered by the mortgage includes a private right of way, eight miles long and fifty feet wide, running from central Brooklyn to Brighton Beach, and in addition valuable terminal properties are covered. The value of these properties is very largely in excess of the outstanding First Mortgage Bonds.

Although the B. R. T. System is in the hands of a receiver, the strength of these Kings County Elevated Bonds is clearly indicated by a ruling of the court which adjudged them a prior claim to the outstanding Receiver's Certificates. Altogether, these bonds underlie $15,967,000 Brooklyn Union Elevated 5s, $16,000,000 Receiver's Certificates and over $33,500,000 par value of other junior securities.

Brooklyn Rapid Transit is making a wonderful comeback and authorities have estimated that the receiver will be discharged by the end of the year. Current operations are being carried on at a substantial profit against a huge deficit a year ago. Net earnings for the eleven months ended May 31, 1922, amounted to more than twenty-three times the full year's interest requirements on the Kings County 4s.

At present prices these bonds yield just 6% and this is a generous return on an issue having such a high degree of underlying strength back of it.

SINCLAIR CONSOLIDATED OIL COMPANY

1st Lien Collateral 7% Bonds of 1937

The action of the Board of Directors of this company last month in placing the common stock on a dividend basis is a good indication of the success that is being encountered so far this year. Sinclair Consolidated is becoming closer and closer allied with Standard Oil interests and the outlook for the future is very gratifying. The oil situation generally has taken on a decidedly better aspect and authorities generally are confident that prices will at least hold their own.

The First Lien 7% Bonds of 1937, which were brought out last March at 98 have advanced only slightly over a point and may still be bought to yield better than 7%. They are oustanding in amount of $45,000,000 and are secured by pledge of $90,000,000 face amount of First Mortgage 7% Bonds of subsidiary companies and by 50% each of the total outstanding stocks of Sinclair Pipe Line Company and of the Sinclair Crude Oil Purchasing Company, the remaining 50% of each being owned by the S. O. Co. of Indiana.

Asset Values

The Balance Sheet dated December 31, 1921, showed total net assets of over five times the face amount of these $45,000,000 First Lien Collateral Bonds and net current assets, alone, were about $47,000,000. These Bonds constitute the sole funded debt of the company other than about $5,800,000 miscellaneous equipment trust notes and other certificates.

Consolidated net earnings, available for interest and Federal Taxes before depletion and depreciation, for the four years to December 31, 1920, averaged about seven times the combined annual interest charges on the present total amount of outstanding funded debt. Net earnings, similarly computed for 1921 were approximately $10,000,000, so that even in a year of business depression and readjustment such net earnings were equal to about three times the above mentioned annual interest charges.

The Bonds are callable at 107½ on or before March 15, 1927, and thereafter at 105 on or before March 15, 1932, 102½ less ½% for each subsequent year. These callable prices are high enough to give a fair profit from present prices, even if the bonds were called at some time in the future, and they are a desirable investment at an unuually high yield.

(Continued on page 459)

BOND MARKET RENEWS UPWARD CLIMB

Many Bonds Work Higher With Some Issues Getting Into New High Ground

THE bond market was more active in the past two weeks than for some time and quite a few issues sold at materially higher prices under the stimulus of heavy investment buying. Liberty bonds were strong and, in fact, this group has showed the most consistent trend toward higher levels than any other group. All issues are quoted over par. Owing to the continued ease in money rates, large institutions and banks have again entered the market for Government obligations. The situation with regard to Liberties is such that any slight increase in demand is followed by a comparatively rapid rise in prices.

Foreign issues acted better owing to the partial settlement of the serious German reparations problem. It was noticeable that French bonds, which at one time were distinctly weak, later recovered nearly all their loss. A better tone is noted throughout the foreign bond market and it is likely that these issues will give a better account of themselves in the period immediately ahead.

In the industrial group, there were few features, but sugar issues were consistently strong, no doubt reflecting the improvement which has recently taken place in this industry.

The railroad issues held very well considering the unsettling influence of the shopmen's strike. The future for the better-grade carriers seems assured and there is no reason to doubt that bond issues at least will fail to continue to advance. With continued ease in money rates and improvement in earning power, the railroad bonds should advance to materially higher levels after a reasonable period, and as a group may be said to contain very promising opportunities. Railroad issues listed in the accompanying table should be carefully scrutinized by investors as they hold excellent possibilities within their respective groups.

Continued absorption of the highest-grade bonds has left the market for these issues comparatively bare. As a result of this condition many issues have moved into territory yielding no more than 4½ to 4¾%. Under the circumstances, it would seem that these issues, for the time being, at least, have discounted all the favorable developments in the money market. Investors, therefore, who are looking for profit-making opportunities in bonds as well as purely investment features would do better to consider the second-grade and speculative issues in the bond list in preference to the highest-grade bonds. Few of the highest-grade issues can be secured at the present time to net more than 5% whereas many excellent issues are still selling on a yield basis of 6 to 7%. In this connection, attention is called to the article "Sound Bonds Yielding a High Rate" appearing on another page in this department.

BOND BUYERS' GUIDE

		Apx. Price	Apx. Yield	Int. Earned on entire funded debt‡
	BETTER GRADE			
	Foreign Governments.			
1.	City of Christiania (b) 8s, 1945	109½	7.15	....
2.	Danish Municipal (b) S. K. 8s, 1946	110	7.10	....
3.	City of Zurich (b) 8s, 1945	110½	7.10	....
4.	City of Copenhagen (b) 5½s, 1944	91½	6.20	....
5.	Kingdom of Sweden 6s, 1939	102¼	5.80	....
6.	Argentine (c) 5s, 1945	84	6.30	....
7.	U. K. of Gr. Britain & Ireland (c) 5½s, 1937	103¼	5.12	....
8.	Dominion of Canada (c) 5s, 1931	98¼	5.25	....
	MORE SPECULATIVE			
1.	Kingdom of Belgium (a) 6s, 1925	101	5.62	....
2.	Kingdom of Italy (d) 5½s, 1925	96½	7.80	....
3.	Republic of Chile (b) 8s, 1941	103½	7.65	....
4.	Sao Paulo (b) 8s, 1936	101	7.90	....
5.	U. S. of Brazil 8s, 1941	103	7.70	....
	GILT EDGE.			
	Railroads.			
1.	Balt. & Ohio S. W. Div. (b) 1st Mtg. 3½s, 1925	91¼	6.00	.80‡
2.	Ches. & Ohio (a) Genl. Mtg. 4½s, 1992	87⅝	5.16	2.20
3.	Delaware & Hudson (a) 1st & Ref. 4s, 1943	90⅜	4.70	1.65
4.	Southern Pacific (b) 1st Ref. 4s, 1955	89½	4.62	1.65
5.	Chic. Burl. & Quincy (a) Genl. Mtg. 4s, 1958	92	4.45	2.40
6.	New York Central Genl. Mtg. 3½s, 1997	73½	4.50	1.80
7.	N. Y., Chic. & St. Louis 1st Mtg. 4s, 1937	89¼	5.09	2.35
8.	Atlantic Coast Line (a) 1st Mtg. 4s, 1952	93	4.40	1.55
9.	Pennsylvania (a) Genl. Mtg. 4½s, 1965	93	4.90	2.20
10.	West Shore (a) 1st Mtg. 4s, 2361	83¼	4.85	**
11.	Norfolk & Western (c) Cons. 4s, 1996	92½	4.35	3.95
12.	Central R. R. of N. J. (a) Genl. Mtg. 5s, 1987	109	4.55	1.40
13.	Atchison (b) Genl. Mtg. 4s, 1995	93½	4.30	3.90
14.	Chic., R. I. & Pacific (a) Genl. 4s, 1988	83⅜	4.85	1.00
	Industrials.			
1.	Armour & Co. (a) R. E. 4½s, 1939	90¼	5.37	†
2.	General Electric (b) Deb. 5s, 1952	101	4.95	6.75
3.	International Paper (a) 5s, 1947	86½	6.05	5.55
4.	Indiana Steel (a) 5s, 1952	101	4.95	16.70
5.	Baldwin Loco. (a) 5s, 1940	102½ bid	107	**
6.	National Tube (a) 5s, 1952	99⅞	5.00	**
7.	Corn Products (a) 5s, 1934	100	5.00	60.70
8.	U. S. Steel (a) 5s, 1963	102⅞	4.85	8.70
9.	Liggett & Myers (aa) Deb. 5s, 1951	98⅝	5.25	4.65
	Public Utilities.			
1.	Duquesne Light (b) 6s, 1949	102⅞	5.80	3.40
2.	Amer. Tel. & Tel. (c) 5s, 1946	97¼	5.20	4.80
3.	Philadelphia Co. (c) 6s, 1944	97½	6.20	
4.	N. Y. Telephone (b) 4½s, 1939	94	5.00	**
5.	Montana Power (c) 5s, 1943	96⅝	5.25	2.90
6.	Cal. Gas & Electric (a) 5s, 1937	96¼	5.37	4.15
7.	N. Y. G., E. L., H. & P. (a) 5s, 1948	99	5.05	2.10
8.	Pacific Tel. & Tel. (a) 5s, 1937	96¼	5.30	1.75
	MIDDLE GRADE.			
	Railroads.			
1.	Balt. & Ohio (b) 1st Mtg. 4s, 1948	82¼	5.20	0.80
2.	St. Louis-San Fran. Prior Lien 4s, 1950	72	6.10	1.60
3.	Missouri, Kansas & Texas Prior Lien 5s, 1962	83	6.12	....
4.	Ches. & Ohio (b) Conv. 5s, 1946	94⅛	5.40	1.55
5.	Cleve., Cin., Chic. & St. L. (a) Deb. 4½s, 1931	89⅞	6.00	2.40
6.	Pere Marquette (c) 1st Mtg. 5s, 1956	96	5.25	2.05
7.	Southern Pacific (b) Col. Trust 4s, 1949	89½	4.70	2.40
8.	Kansas City Southern (a) 1st Mtg. 3s, 1950	72	4.85	1.70
9.	Illinois Central (b) Col. Trust 4s. 1952	84½	5.00	2.25
10.	St. Louis Southwestern (a) 1st Mtg. 4s, 1989	79	5.10	2.00
11.	Norfolk & Western (a) Conv. 6s, 1929	110½	4.25	3.95
12.	Atchison (a) Conv. 4s, 1960	101⅞	3.90	
	Industrials.			
1.	Wilson & Co. (a) 1st 6s, 1941	99	6.10	2.10
2.	Comp. Tab. & Recording (b) 6s, 1941	93¼	6.40	5.45
3.	Adams Express (b) 4s, 1948	79	5.50	2.60
4.	Int. Merc. Marine (b) 6s, 1941	96¼	6.30	5.15
5.	Lackawanna Steel (c) 5s, 1950	89½	5.75	0.90
6.	U. S. Rubber (c) 5s, 1947	90	5.75	2.35
7.	Amer. Smelting & Refining (c) 5s, 1947	92⅛	5.55	5.00
8.	Goodyear Tire (c) 8s, 1941	116	6.50	9.55
9.	Sinclair Consol. Oil Corp. 1st Lien Col. Trust 7s, 1937	99½	7.05	3.70
	Public Utilities.			
1.	Public Service Corpn. of N. J. (a) 5s, 1959	84⅛	6.05	....
2.	Detroit Edison (c) Ref. 5s, 1940	93½	5.60	2.80
3.	Brooklyn Union Gas (a) 5s, 1945	92½ Bid	96⅛	*1.35
4.	Northern States Power (b) 5s, 1941	91¼	5.75	1.80
5.	Brooklyn Edison (c) 5s, 1949	95	5.37	2.20
6.	Utah Power & Light (a) 5s, 1944	91	5.70	1.80
7.	Cumberland Tel. & Tel. (b) 5s, 1937	93⅛	5.62	1.70
	SPECULATIVE.			
	Railroads.			
1.	Western Maryland (a) 1st Mtg. 4s, 1952	64	6.80	.70
2.	Iowa Central (a) 1st Mtg. 5s, 1938	78⅛	7.25	....
3.	St. Louis Southwestern (a) Cons. Mtg. 4s, 1932	75¼	7.60	2.00
4.	St. Louis-San Francisco (a) Adj. Mtg. 6s, 1955	80	7.70	*1.90
5.	Mo., Kansas & Texas Adj. Mtg. 5s, 1967	57⅛	8.85	....
6.	Southern Railway (a) Genl. Mtg. 4s, 1956	67½	6.35	1.85
7.	Missouri Pacific (b) Genl. Mtg. 4s, 1975	64	6.37	.90
8.	Carolina, Clinch. & Ohio (c) 1st Mtg. 5s, 1938	89⅝	6.00	1.40
9.	Minneapolis & St. Louis (a) Cons. Mtg. 5s, 1934	79	7.70	.50
10.	Denver & Rio Grande 1st Ref. 5s, 1955	46¼	11.20	....
	Industrials.			
1.	Chile Copper (b) 6s, 1932	91¾	7.20	3.80
2.	Va.-Carolina Chemical (c) 7½s, 1932	105¼	6.75	2.75
3.	American Writing Paper (a) 6s, 1939	87⅛	7.30	1.90
4.	American Cotton Oil (a) 5s, 1931	88½	6.70	3.15
5.	Cuba Cane Sugar (c) 7s, 1930	80	9.50	....
	Public Utilities.			
1.	Hudson & Manhattan (c) Rfdg. 5s, 1957	84½	6.10	*1.60
2.	Intr. Rapid Transit (a) 5s, 1966	66	7.80	1.60
3.	Third Avenue (b) Refg. 4s, 1960	64½	6.55	*1.20
4.	Va. Railway & Power (a) 5s, 1934	79⅞	7.60	....

(aa) Lowest denomination, $5,000. (b) Lowest denomination, $500. (d) Lowest denomination, $50
(a) Lowest denomination, $1,000. (c) Lowest denomination, $100.
(x) This issue was created on May 1, 1921.
† This issue, which represents the entire funded debt of the company, was created on Nov. 1, 1920.
* Number of times over interest on these bonds was earned.
** Earnings are not reported separately.
‡ This represents number of times interest on the companies' entire outstanding funded debt was earned, based on actual earnings of last five years. Interest on this issue was fully covered.

Inquiries on New Security Offerings

Inquiries on Other Securities Will Be Found in Their Respective Departments

CLARION RIVER POWER 6½s

New Water Power Development

I am taking advantage of your offer to pass on new security offering to ask your opinion in regard to the Clarion River Power Co. 6½% bonds recently put out at 97 to yield 6.75%.—S. C., Hartford, Conn.

Clarion River Power Co. $2,700,000 6½% bonds, due 1947, are to be a first mortgage on the Piney Creek Development, where the company is to develop hydro-electric power through the construction of three dams. Present issue is to provide sufficient funds to develop 22,000 horsepower, $5,000,000 more bonds may be issued for additional horsepower. These bonds are unconditionally guaranteed by the Penn Public Service Corporation, which will contract to purchase until at least 1952 the entire output of the plant at a price that shall not fall below $440,000 per annum. This amount, it is estimated, will provide the Clarion River Power Co., after all operating expenses, maintenance and taxes, with net earnings equal to more than twice interest charges. Earnings of the Penn Public Service Corporation available to support its guarantee of the interest on these bonds are over four times amount required. These bonds are well secured, in our opinion, and at offered price of 97 to yield 6.75% we regard them as an attractive investment opportunity.

COLUMBUS ELECTRIC & POWER 7% PREFERRED

Yield 7¼%

I see Stone & Webster are offering Columbus Electric & Power 7% 1st preferred stock at a price to yield 7¼%. This is a good return and if the security is sound enough I am enclined to pick up some. Would appreciate your advice?—Salem, Mass.

Columbus Electric & Power Co. 7% cumulative first preferred stock Series A is convertible share for share into common stock. This company does the entire electric lighting and power, street railway and gas business in Columbus, Ga. The properties include hydro-electric development of 32,500 horsepower and undeveloped water powers with a further capacity of 50,000 horsepower.

For the twelve months ended April 30, 1922, net income available for preferred dividends was $738,862, as against preferred dividend requirements of $140,000 for 1st and $100,009 for 2nd preferred. Balance after preferred dividends available for reserves, replacements and dividends on common stock was $498,853. As there is only $1,500,000 common stock outstanding it can readily be seen that with an earning power such as this that the convertible privilege has an excellent chance of becoming valuable. We regard this stock as a very attractive investment opportunity as it combines a reasonable amount of safety with possibilities for an important appreciation in value through the convertible feature.

NEW YORK STEAM CORP. 6s

Well Secured

How do you rate the New York Steam Corporation 6% bonds recently offered by the National City Bank at a price to yield 6½%?—J. J., New York City.

New York Steam Corporation $5,000,000 1st mortgage bonds series A, due 1947, are secured by a first mortgage on property recently appraised at twice the amount of this issue. For the 12 months ended May 31, 1922, net earnings were equal to 2½ times interest on these bonds. This company supplies steam for power and heating purposes in the New York downtown financial district and in an extensive uptown commercial and residential section, serving over 1,400 buildings. We regard these bonds as being well secured and an attractive investment at the offered price of 94 to yield 6½%.

LINCOLN MILLS LTD. 7½%s

Another Security Suggested

Do you recommend an investment in Lincoln Mills 7½% bonds?—F. G. H., Milwaukee, Wis.

Lincoln Mills, Ltd., $1,000,000 1st mortgage 7½s are secured by a mortgage on fixed assets recently appraised at $3,810,403. This company is engaged in the manufacture of fine papers and paper products. While these bonds appear to be well secured, foreign competition in the paper industry may increase and we would suggest instead of this issue South Porto Rico Sugar 7% bonds, selling on the New York Stock Exchange at 98 to yield 7.2%. The sugar companies have definitely turned the corner and these bonds are getting in a much stronger position and should advance in price.

ZENITH FURNACE 6s

Prefer Sinclair 7s

I want a good safe bond and wonder if the Zenith Furnace Co. bonds which are being sold at par would be a good one. Your advice on this and any other suggestions will be greatly appreciated. Perhaps I could get a higher yield with sufficient safety in some other bond.—D. K., Duluth, Minn.

Zenith Furnace $1,000,000 6% first mortgage bonds are entitled to a high rating as they are a first mortgage on fixed property equivalent in value to 220% of the bond issue and net current assets of the company are 79% of bond issue. For the seven years ended April 30, 1922, net earnings after deducting depreciation and Federal taxes have averaged 4.43 times interest charges on this issue. In year ended April 30, 1922, a deficit of $220,431 was shown. Although the bonds have good security behind them at price offered of par to yield 6% they do not appear a very attractive opportunity as there are other bonds, in our opinion, with better security and selling to give a materially higher yield. Suggest Sinclair 1st lien and collateral 7s, selling at 98, to yield 7.2%. Assets of company are five times the bond issue and working capital in excess of the bond issue.

STATE OF MISSOURI 5s

Yield 4.15 to 4.20%

Would like your advice as to the attractiveness of State of Missouri 5% tax exempt bonds recently offered.—W. A. T., White Plains, N. Y.

State of Missouri $1,300,000 5s are exempt from all Federal income taxes. Assessed valuation of the state for 1921 was $4,920,926,179, as compared with a total bonded debt, including this issue, of only $16,200,000. Missouri ranks ninth in population and eighteenth in area in the States of the Union. Maturities and yields of this issue are as follows:

$300,000	March 1, 1931,	yield	4.20%
450,000	" 1932,	"	4.20
50,000	" 1934,	"	4.20
50,000	" 1935,	"	4.15
450,000	" 1936,	"	4.15

This is a high grade State issue and attractive at the price offered, in our opinion.

OHIO BRASS 6% PREFERRED

Another Stock Suggested

How do you regard the recent offering of Ohio Brass Co. 6% preferred stock at 89½? I am considering the purchase of some but if you know of anything better would appreciate it if you would inform me.—G. G. F., Cleveland, Ohio.

Ohio Brass Co. 6% cumulative preferred stock can be regarded as a conservative stock investment, as the company's balance sheet as of Dec. 31, 1921, shows an excess of tangible assets over all debts equivalent to $252 a share on the $2,000,000 preferred stock outstanding. For the three years ended Dec. 31, 1921, earnings averaged six times the preferred dividend requirements. The company was founded in 1888 and is one of the largest producers in the United States of electrical railway supplies. At offered price of 89½ the yield is 6.7% We would prefer however North American $3 preferred stock, selling at 42½ to yield about 7%, as you would have a security with a higher yield, a better market and, in our opinion, just as good security behind it.

Railroads

Industrial Expansion and the Railroads

Looking Ten Years Ahead—Have Transportation Facilities Kept Pace With the Growth of the Country?

SO much interest is consumed nowadays in studying current railroad earnings, estimating the effect of new wage and rate schedules and wondering how long it will be before the roads have a sufficient volume of business to bring all their equipment into use and utilize their terminals to their fullest capacity, that there is really very little time and probably little disposition to study that phase of the situation which deals with the problem of how well equipped the roads are to handle a volume of traffic as great as that in 1920 and greater. One does not have to look very far ahead to visualize the railroads confronted with this problem. The industrial recovery in this country during the past six months has been very pronounced and much more rapid than the average merchant, who is still confronted with rather slack business, seems to realize. The basic industries are the true indicators of returning prosperity.

The steel industry as recently as the fall months of 1921, was operating on an average of about 25% of capacity. The industry, as a whole, is now operating at well over 60% of capacity. Production of pig iron for the first half of this year amounted to about 9,800,000 tons, an increase of 3% over the corresponding period of 1921, and an increase of 38% over the second half of 1921. The present rate of production is at the annual rate of about 30,000,000 tons, the best record in over eighteen months and almost equal to the record production of 1912 and 1913, the best two pre-war years. In addition to this the unfilled orders in steel companies' books is steadily mounting.

The automobile industry is breaking all previous records. Production in the first half of this year totaled 1,122,740 cars, including trucks, or at the annual rate of about 2,000,000 cars. This is over 60% ahead of last year's production and about 300,000 cars ahead of the best previous year in the history of the industry.

Oil production is breaking all previous records and all indications point to an almost unprecedented demand in the coming year.

Lumber trade, iron ore and copper production and building trades have all shown steady improvement. The activity in the last named industry is particularly pronounced.

All these factors point unmistakably to returning prosperity and era of greater industrial activity than this country has ever witnessed before. Will the roads be able to handle it?

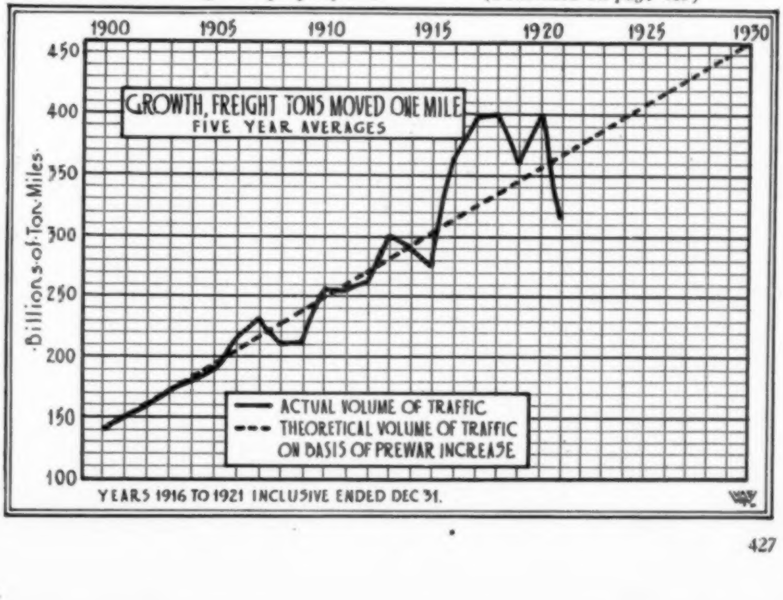
Going back to 1920, we find that the carriers hauled over 400 billion tons one mile. They were utterly unprepared to handle this volume of traffic, and the result was endless congestion, delays and waste. There existed in this year the largest shortage of all kinds of equipment in the history of railroad operation. This same situation is very likely to exist this fall. The present volume of traffic is not so very far behind 1920, and were it not for the coal strike, traffic would undoubtedly be just as great, if not greater, than in 1920. The problem of adequate transportation facilities was very neatly thrust into the background by the sudden turn of economic conditions in 1921. The shortage of equipment in 1920 was quickly converted into a large surplus as traffic fell off rapidly. The real problem was thus temporarily deferred, but it may not be very long before it is with us again in full force.

Normal Growth in Next Few Years

It is a well-known fact that the railroads have been unable to expend the necessary sums to bring their property and equipment up to the growing needs of the country. The carriers have had their hands full making both ends meet in the past two years, and many roads were compelled to cut down on maintenance in order to do so. There was no money available for expansion and construction work or for equipment buying. To have attempted to raise it by bond flotations during the period of high money rates would have been suicidal. We have a very graphic example of the results of a large expansion and improvement program during the past five years in the case of St. Paul. The decline in the cost of material and supplies during the past twelve months and the downward revision of wages, together with the increasing volume of traffic, is rapidly placing the carriers on their feet again. Conditions in the money maket are such as to make new financing much easier.

We are rapidly approaching the point where the railroads will have to begin providing for the increasing requirements of business. The accompanying graph shows the trend of freight tonnage since 1900. It will be noted that up to the time of the World War there was a steady increase in ton-miles. Disregarding the abnormal jump in earnings during the war, and carrying on the normal pre-war increase, we find that by 1923 the normal volume of traffic should be as great as in

(*Continued on page 469*)



President Byram Discusses St. Paul Situation

Chief Executive Analyzes Road's Condition and Prospects—Considers Outlook "Splendid"

By BENJAMIN NORTON

ST. PAUL'S INCOME ACCOUNT FOR 1921

Railway Operating Income:		
Operating revenues	$146,765,766.04	
Operating expenses	127,957,001.87	
Net operating revenue	$ 18,808,764.17	
Tax accruals	8,762,089.33	
Uncollectible revenues	283,545.53	
Railway operating income		$ 9,763,129.31
Non Operating Income:		
Rents	$ 930,476.78	
Income from lease	300,574.54	
Dividends	74,496.83	
Interest	274,414.55	
Amount accrued under guarantee provision section 209, Transportation Act 1920	2,277,796.51	
Miscellaneous income	514,098.77	$ 4,371,857.98
Gross income		$14,134,987.29
Deductions:		
Interest on funded debt	$ 18,767,680.70	
Interest on unfunded debt	180,424.29	
Rents paid—Equipment	3,485,115.38	
Rents paid—Lease of road	459,593.53	
Rents paid—Other	1,751,880.86	
Miscellaneous	560,901.19	25,205,595.95
Net Deficit		$11,070,608.66

THE Chicago, Milwaukee & St. Paul Railway, known generally in the railroad world as "the St. Paul," is a system comprising more than 10,000 miles, with ramifications and connections almost unlimited, north, south, and west, from Chicago to Seattle and Tacoma on the Pacific Coast. For many years it has stood in the first rank of great American railroads and has been a training school, as it were, for many a railroad executive who is today occupying a prominent position on some other large system.

For some time past H. E. Byram has been the president of the St. Paul. His railroad experience on other lines has been very large and today he is giving the St. Paul the benefit of his wide experience in a determined effort to restore this great system to its former financial condition.

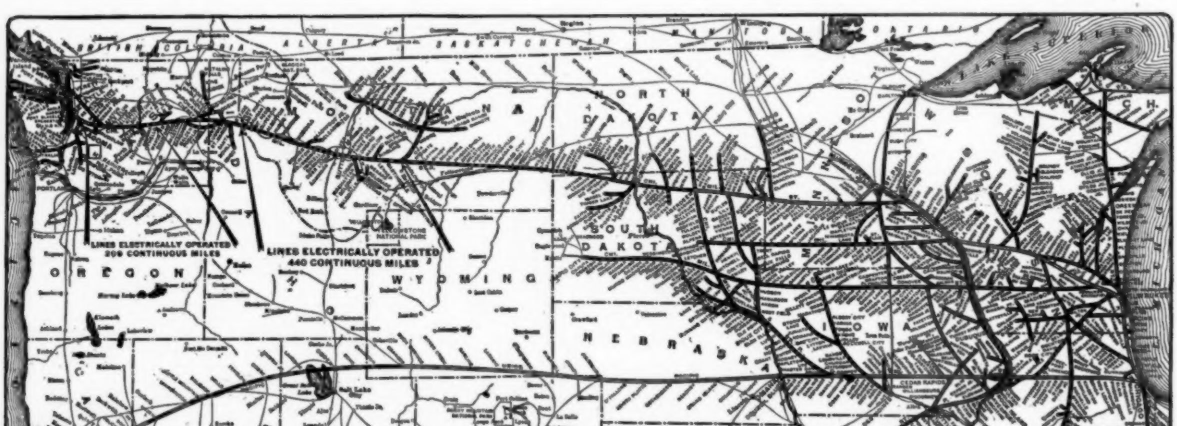
From the bottom, as a call boy on the C. B. & Q., up to executive positions on the Great Northern and the Rock Island, President Byram has devoted his time to solving railroad problems and working out plans resulting in efficiency of service, as well as success in operation generally. He is a very busy man these days; but he found time, on his last trip to New York, to give his attention to a few questions put him by the writer and relating to the road which he now directs.

Electrification a Success

When the St. Paul put two or three of its far western divisions under electricity, some years ago, it was a tremendous advance in the science of railroading and attracted the attention of railroad men the country over. Referring to this subject, in view of the great expense involved, outside of the matter of economics in operation and the results obtained generally, Mr. Byram said:

"If the question of electrifying those divisions were to come up today for the first time, knowing what we now know, relative to the subject, we would undoubtedly declare for electrification, mainly for the reason that water power, in the territory now served by electricity, is unlimited practically, and the volume of traffic is heavy. We have a 99-year contract with the Montana Power Co. at a very low and unchanging rate covering the entire period of the contract. That is one of the greatest features.

"Our first development was 440 miles of road covering three mountain ranges and our later application covered 210 miles, from Othello to Tacoma, including the Cascade Mountains and a long climb out of the Columbia Valley. As traffic warrants, we shall apply electricity on the 200 miles or more between the two sections already electrified, making a con-



Electric Locomotive Pulling Train Over the Cascades

tinuous electrified line of more than 800 miles. A great advantage which the St. Paul enjoys from electrification is on the mountain grades which are long and heavy. Economies on this account are varied and numerous.

"There are other conditions, too, which surround this wonderful undertaking, and they are conducive to economy which does not ordinarily pertain. On those far western divisions the St. Paul is operating through a country where connecting railroads are not frequent. Railroad men know that the interchange of traffic between steam and electricity lines presents some complications, which in the St. Paul case are not many. By reason of the long stretch of electrified railroad and the flexibility of electric operation, it is able to maintain a more uniform flow of traffic than would otherwise be possible.

Electric Locomotives Work Single-Handed

"All these operations of the St. Paul, too, are through a mountainous country at elevations way above sea level. The valleys are deep and the mountains to climb are high. Under steam power, it required "double headers" and "pushers" to handle our heavy freight trains, but now one of our big electric machines does all the work *alone*.

"It might be of more than ordinary interest to know that with the installation of the new power on the first 440 miles, 42 electric engines easily did the work of 120 steam locomotives. You can readily see what an enormous saving resulted from that alone. One of these big electric engines will make repeated round trips over the 440-mile section, up to 3,000 and 4,000 miles in all, before it requires any attention, while, as you know, a steam locomotive in the same service requires a going over after running 100 to 135 miles."

"The great fundamentals," said Mr. Byram, "in the matter of electrification are volume of traffic and adequate and convenient water power. On our far Western divisions these requirements are fully met. As time goes on, the great advantages we will gain from the electrification already undertaken will show for themselves. It was a far-reaching and wise move on the part of the St. Paul management when it adopted the new power."

Road's Outlook "Splendid"

"The traffic situation with us, just now," continued Mr. Byram, "is good. The trend is upward, and the outlook for the coming season is splendid. You know," he added, "that the St. Paul is a grain-carrying road, one of the so-called Grangers, and when crops are good, especially the corn and wheat crops, the volume of traffic is heavy and our earnings are large. The past several years have been what might be called poor years for us, on account of short crops in the territory we serve. About 30% of our freight traffic is made up of grain and other agricultural products and **we are preparing for heavy traffic not only in grain, but in other directions now in sight, having recently placed orders for 6,500 freight cars, 2,500 of which are coal**

President,
Chicago, Milwaukee & St. Paul Ry. Co.

cars of 100 tons capacity and 4,000 box cars of 80 tons capacity, besides contracting for the delivery of 25 locomotives."

"The coal miners' strike is affecting us, of course. In some sections coal traffic is at an absolute standstill, and in others it has been reduced 50%. The St. Paul is something of a 'coal road,' too, since our coal tonnage represents about 20% of our freight traffic. Stocks of coal on hand are running down, and in time, unless mining is renewed, we shall be short of coal ourselves for engine use. Mining costs are, at present, too high. The scale needs readjustment, along with railroad wages."

No Further Expansion Now Contemplated

"We have no plans now for further expansion of our system," went on Mr. Byram, answering my question on the subject. "You know, perhaps, that we acquired the Chicago, Milwaukee & Gary Ry Co. on Jan. 1st last, guaranteeing the principal and interest of $3,000,000 of its first mortgage bonds after Jan. 1, 1924, receiving therefore all of its capital stock and $2,700,000 of its first mortgage bonds, the principal of which does not mature until 1948.

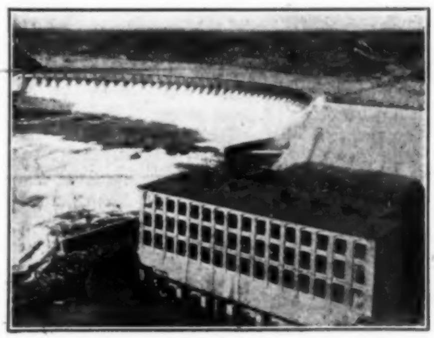
"Besides securing the Gary, we have leased for a period of 999 years the Chicago, Terre Haute & Southeastern railway. The lease became effective on July 1st, 1921, and under it we secure more than 570 miles of track, besides trackage rights over about 48 miles of other railway lines, making direct connection with the lines of the St. Paul near Franklin Park, Ill., on our Illinois division. This provides an adequate coal supply for our own use, which was much needed, and also connects extensive coal fields with the large consuming territory served by our lines.

"We have no refunding to do in the near future," said Mr. Byram. "You may have noticed, however, that we are issuing something over $8,000,000 of Equipment Trust 5% Gold Certificates to pay for the new equipment we have recently contracted for, and which I have already mentioned and described.

"St. Paul's income account for the year ending Dec. 31, 1921, herewith shown, is not altogether flattering, perhaps, but reports for the five months of 1922, ending May 31 last, show a net operating revenue of $402,650, after taxes and rentals, while for the same period in 1921 there was a deficit of $3,622,814, so that with the large increase in traffic expected and close regard for operating expenditures the net returns for the year 1922 should show an improvement compared with the results in 1921."

Conclusion

From the foregoing it is evident that the turning point in the affairs of St. Paul has already been reached. Results so far this year indicate that the road will do better tha it has in the past few years. For many months there has been long-pull accumulation of both preferred and common stocks and these issues will probably commence to give a good account of themselves as soon as earnings figures indicate further financial progress.



Where Water Power is Turned Into Electricity for the St. Paul Road

Industrials

Where the Equipments Stand Today

A Review of Current Situation in the Railroad Equipment Field and the Outlook for the Shares of the Leading Companies

By ARTHUR J. NEUMARK

IN the January 7th issue of The MAGAZINE OF WALL STREET, the writer attempted to forecast the railroads' requirements of freight cars and locomotives for the current year and to point out the general status of the companies engaged in this industry. With one-half of the year gone, it seems pertinent to again review the situation and to ascertain how the situation compares with the outlook at the beginning of the year.

Traffic Movement and Demand for Locomotives

The traffic movement for the first quarter of 1922 reflected a very satisfactory improvement over the corresponding period of 1921. The number of revenue mile performance of 375 billion was used as the basis for estimating a requirement of at least 37,500 freight locomotives to handle the traffic. This figure can be more accurately used at this time.

On December 31st, 1921, there were approximately 33,000 locomotives in service, of which about 7,600 were unserviceable. There were also about 4,200 in storage. Assuming about 40% of the unserviceable number could be called into service with moderate repairs and about 3,000 of those in storage are in good shape, we would arrive at an available supply of locomotives of about 31,400, indicating a probable shortage by October 1st, 1922, when the heaviest freight movement sets in, of about 6,100 locomotives.

SUMMARY OF EQUIPMENT ORDERS

	Locomotives	Freight Cars	Passenger Cars
Total orders for the first six months of 1922	561	90,543	1,322
Total inquiries as of July 1st	26	12,300	29

ORDERS BY COMPANIES—Six months' Period

	Locomotives	Freight Cars	Passenger Cars
American Car & Foundry	...	23,861	395
Pullman Company	...	9,700	379
General American Tank Car	...	10,130	...
Standard Steel Car	...	15,413	133
Pressed Steel Car	...	7,880	83
Baldwin Locomotive	171	......	...
American Locomotive	323	......	...
Lima Locomotive	126	......	...

tons carried one mile by the Class 1 roads totaled 78,490,693,000 compared with 73,059,663,000 in 1921, an increase of 7.4%. On April 1st the coal strike took effect and cut into the freight movement in the succeeding months, but despite this fact, the total tonnage moved in April and May was only slightly below the corresponding months of 1921. June car loadings were the highest of the year and would have exceeded the 1920 figures had it not been for the coal strike. Loadings for the first three weeks of the month were over 10% ahead of the corresponding period of 1921, indicating a corresponding increase in ton miles. With the prospects for an early settlement of the coal strike and indications of a very heavy fall movement of all classes of traffic, it seems fair to estimate an increase of between 15 and 20% in freight movement for the year, compared with 1921. This was the increase allowed for in the January 7th article, when a ton

Locomotive Orders

For the first six months of this year orders for about 500 freight and switching locomotives were placed. This figure is not even sufficient to take care of a normal replacement demand and indicates that thus far the roads have been able to meet requirements by repairing unserviceable locomotives and calling into use those in storage. As previously stated, the heaviest volume of traffic thus far this year was recorded last month, and from now on the freight movement should continue to increase substantially. With net earnings piling up and the railroad strike out of the way, orders for locomotives should come in in large quantities for the balance of the year. The locomotive-producing companies have an estimated annual production capacity of about 7,500 per annum. If the total orders reach 2,000 locomotives this year, the companies engaged in this business would be operating at between 40 and 50% of capacity. The prospects for next year are exceedingly bright, as general indications are that by 1923, the Class 1 roads will be in an excellent position to purchase equipment on a large scale.

Freight Car Situation

The situation in this end of the industry is far more encouraging. Orders for freight cars have been far in excess of the 1921 demand, and have been especially heavy in the last two months. The real impetus behind this buying was the large number of bad order cars in service. As was pointed out in the previous article, replacement demand in the past five years has been considerably below normal and a heavy replacement demand was to be expected this year. Freight car orders for the first six months of this year were over three times as large as the demand for the entire year of 1921. Indications are that orders will go over the 200,000 mark for the current year, which would mean the best year in about a decade. The productive capacity of all freight car producing companies is about 300,000 per annum, so that a production of about 200,000 cars this year would mean operations of about two-thirds of capacity for the industry as a whole. This spells good earnings for this class of companies. Practically all of the business thus far this year has been from domestic roads and there seems very little likelihood of any large demand from Europe this year.

In December 31st, 1921, there were 2,425,188 freight cars in service. On June 23rd there were about 429,020 cars idle, of which number 173,389 were unserviceable. The number of idle cars has been decreasing steadily since April 23rd, and indications are that by fall all the available equipment will be called into use. With a total available number of cars of about 2,300,000, estimating 50% of the new cars ordered in the first half of this year in service by October 1st, and an average capacity of 45 tons for each car, there would be available about 103,500,000 tons for handling the traffic. On the basis of a performance of 3,500 ton miles for each ton of capacity, a freight movement of 362 billion ton miles could be handled by the available equipment. On the basis of a 375 billion ton mile performance this year, there would certainly seem to be considerable possibility of a

car shortage of not far from 100,000 by the end of the year.

There seems to be every indication of a continued heavy demand for freight cars, with a consequent steadily increasing percentage of operation for the leading companies in the industry.

Following is a brief summary of the status and outlook for the principal equipment companies.

AMERICAN LOCOMOTIVE

Getting Big Percentage of What Business There Is

Normally, American Locomotive and Baldwin Locomotive handle close to 95% of the business in the locomotive producing end of the industry, but such has not been the case for the first six months of this year. Thus far these two companies have accounted for but 78% of the business, Baldwin falling considerably behind American Locomotive in the number of orders received. American Locomotive has a capacity for turning out about 3,000 locomotives per annum. Last year, despite operations of about 20% of capacity the company earned about $13.35 per share on the common. In the first six months the company received orders for 323 locomotives, or over 57% of the total number of locomotives ordered during this period. This is encouraging for the American Locomotive, only from the point of view of the large percentage of the business it has obtained, but the orders placed have been far below expectations and indicate little in the way of prosperity for the company.

It is hardly likely that American Locomotive will manufacture more than 1,000 locomotives this year, which would mean at the best operations of 33% capacity. At the present time the company is probably operating at close to 30% of capacity, but during the first four months of the year operations at best averaged about 20% of capacity. Consequently, American Locomotive's showing for the first half of the year will be a rather poor one. On the basis of the company's earnings for the last half of 1921, when it was operating at between 15 and 20% of capacity, earnings for the six months to June 30th, 1922, will probably show the preferred dividend just about covered. Earnings for the current quarter, however, will be considerably better, and if the expected improvement in locomotive buying takes place by fall the company may yet show the 6% dividend fully earned.

Strong Financial Position

With conditions such as they are, the increased dividend, which the stock of this company has been discounting, cannot be expected for many months to come. There is little likelihood of a change in dividend action this year, but a pronounced improvement in locomotive buying is almost certain to materialize in the near future, barring unforeseen unfavorable development, and when the directors of the company can look forward to business with a reasonable amount of confidence and assurance, there is very little doubt but that higher disbursements will be made.

The company's balance sheet is a wonderful tribute to its efficient and conservative management. Net working capital on December 31st, 1921, amounted to $41,725,992, or the equivalent of $166.90 a share on the outstanding common stock. Cash and securities totalled 60% of current assets, while inventories had been reduced about 70% from the previous year. Accounts payable had been reduced from $3,685,262 to $676,950. This constituted practically the entire liability of the company against its enormous array of assets, with the exception of the reserves for taxes and security depreciation which totaled about $1,900,000. This extremely strong position will enable the company to pull through almost any period of depression without cutting its dividend. The income received from security holdings is sufficient to cover about two-thirds of the annual 7% preferred dividend.

While there is nothing particularly exciting about American Locomotive common stock at current levels for the immediate future, investors who are carrying the stock for its long-pull possibilities need have little worry about its ultimate value. It is only a question of time before the stock will sell very much higher, and in the meantime there seems very little possibility of it reacting much below par.

BALDWIN LOCOMOTIVE

Common Dividend Probably Earned in First Half—Long Pull Outlook Good

Current year's business is not up to the mark. The earnings of the Baldwin Company for the first six months of the year will probably show up considerably better than those of its leading competitor, despite the fact that it has not fared nearly as well in the amount of business booked since the beginning of the year. This seemingly paradoxical statement is explained by the fact that Baldwin went into the current year with a large number of foreign orders which has enabled the company to keep operating at about 30% of capacity. If the company had to depend on this year's orders alone, it would not be operating at better than 10% of capacity. Total orders received for the first six months amounted to 171, or about 53% of the business booked by the American Locomotive, and only about 30% more than Lima Locomotive booked. Baldwin, like American, is very strong in working capital and well able to continue the present 7% dividend rate, even if it is not earned. Demand for locomotives should show material improvement by fall and Baldwin will undoubtedly get its share of the business.

There seems very little to choose from between these two leading locomotive producing companies. Selling at approximately the same price, Baldwin common gives the better yield. This company also appears to have just as good possibilities for increased dividends when conditions in the railroad industry become more stabilized. On the other hand, American Locomotive has been getting considerable

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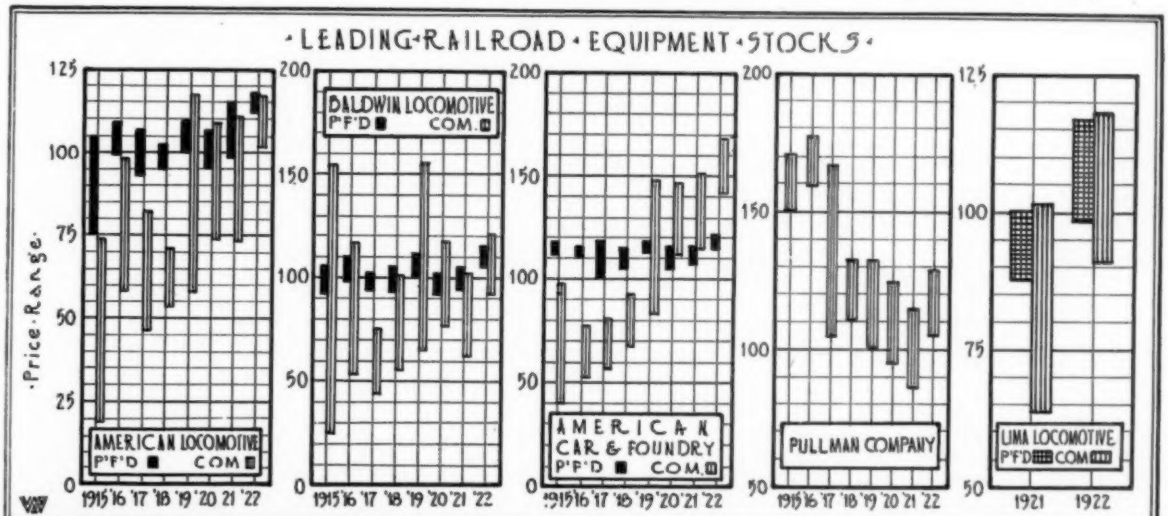


Which is the Best $2 Stock?

Results of a Search for Profit-Making Opportunities in Listed Stocks

By FRED L. KURR

WHICH is the best $2 stock? In this article this question will be considered under two sub-divisions, *i. e.:* Which is the best $2 stock from an investment standpoint? Which $2 stock has the best immediate speculative possibilities? In order for a stock to have a good investment standing it should have first a record of favorable earnings over a long period of years; second, a strong financial structure; third, a conservative management, and fourth, a business that offers good possibilities of expansion.

In the accompanying table, five companies are shown whose shares are at the present time paying dividends at the rate of $2 per share. These stocks were selected as offering the best opportunities among the $2 stocks in the industrial list. All the companies are enjoying prosperity at the present time and earning their dividends with a liberal margin to spare. Of the five stocks, however, only two comply with the first requirement of the four principles outlined above as necessary to give a sound investment standing. These are Owens Bottle and Manhattan Shirt, which have a good record of earnings over a long period of years. The second and third conditions are also met as the financial structure and management of both companies are satisfactory. On the fourth condition, however, Owens Bottle does not quite fill the requirements. Manufacturing of bottles is an essential industry to a certain extent, but tin containers and paper containers have already done away with some of the necessity for bottles and the future is very likely to bring forth other bottle substitutes in addition. Prohibition has reduced the demand for the company's product to a considerable degree, and while it is doing fairly well at the present time, the outlook does not justify the purchase of the stock by the investor to the same extent as several of the other issues mentioned herein. Manhattan Shirt, on the other hand, is an essential industry, as it manufactures shirts, collars, and various lines of underwear. This industry increases in volume year by year with the increase in population and buying power. The conclusion, therefore, is that of these Manhattan Shirt is the best $2 stock from an investment standpoint.

MANHATTAN SHIRT

Manhattan Shirt has shown a remarkably consistent earning power over a long period of years and has demonstrated that its earnings are not seriously affected in times of industrial depression. In 1921, for example, earnings were close to their record, high in spite of generally unfavorable conditions. Gross business has shown a steady increase, and there is every reason for believing that earnings will continue to grow in the future as they have in the past. For several years, a large percentage of earnings have been put back into the property, and as a result the company is in strong financial condition. Working capital as of November 30, 1921, which is the end of the company's fiscal year, stood at nearly four million and the company was practically clear of bank loans.

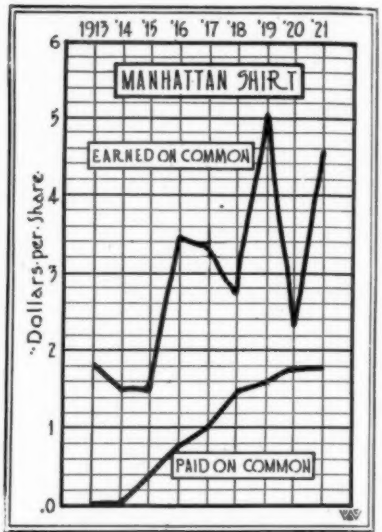
Plants of the company at the present time are operating at full capacity, and sales booked show an increase of one-third over 1921 sales. There is little question, therefore, but that 1922 will prove to be a very profitable year, and very possibly will show the largest earnings yet recorded by the company.

The management, which in the past has always adopted a very conservative policy, has shown its optimism as regards the outlook by inaugurating stock dividends. In February of this year the authorized common stock was increased from 200,000 shares to 300,000 shares, and a 20% stock dividend was declared of which 15% has already been paid to stockholders. Two more quarterly stock dividends of 2½% each will be paid this year. At present price of 36 the stock yields a little less than 6%, but taking into consideration the 5% stock dividends that will be received this year the yield is just about an even 6%. In view of the possibilities of larger earnings, the strong financial condition of the company and its past earning record, larger cash dividends can be looked for in the future.

THE BEST $2 DIVIDEND-PAYING STOCKS

	Capitalization			Earned Per Sh.				
	Bonds	Preferred	Common	1919	1920	1921	Price	Yield
Martin Parry.....	None	None	*100,000 shs.	$2.44	$3.11	$0.01	31	6¼%
Owens Bottle.....	None	$9,450,200	†$17,271,900	5.26	7.60	0.72	35	5¾%
Int. Com. Eng....	$275,000	....	*176,916 shs.	2.24	2.79	3.50	23½	8¼%
White Eagle......	769,985	....	*294,042 shs.	....	2.58	2.59	26½	7½%
Manhattan Shirt...	None	1,600,000	†$5,750,000	5.06	2.31	4.56	36	15%

* No par value. † Par value $25.



At present price of 36 the stock can be regarded as an attractive spec-vestment.

From a Speculative View-Point

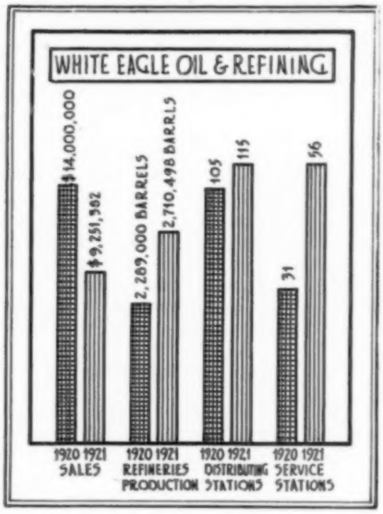
Which $2 stock has the best immediate speculative possibilities? The most important factors to consider in deciding this question are, first, the technical position of the stock; second, current earnings and outlook; third, market sponsorship, and fourth, financial condition. Owens Bottle, International Combustion Engineering, and Manhattan Shirt stocks do not appear to be in a very good technical position at the present time for a substantial advance in price, and are likely to remain around present levels for a while, although they may work into a position for a good advance later on. Martin Parry appears to be in a good technical position for a fair advance from present levels of 31, as there is evidence of important accumulation at this level and earnings this year are on a basis that would appear to warrant higher prices. This stock, however, has already had an important upward swing since the first of the year, and while it looks attractive, White Eagle Oil & Refining Co. seems to have better possibilities; as it is in a very good technical position, its earnings are very large this year and it has not as yet been exploited in the stock market.

WHITE EAGLE

White Eagle Oil & Refining Co.'s activities are in the Mid-Continent field and it is a complete unit, being a producer, pipeline-transporter, refiner and marketer. In spite of very unfavorable conditions existing in 1921, the company succeeded

in covering its $2 dividend requirements with a small margin to spare. The company in the current year has benefited materially from the increase in the price of refined oil and oil products, particularly gasoline, in view of the fact that it had stored a large amount of gasoline which was made from crude purchased at low prices last year. Sales for May were reported at $1,401,600 as against $872,502 the previous year, and it is estimated that, on the basis of present prices, net profits for that month will equal about $1 a share on the stock. Earnings for June, July and August are expected to be just as favorable. This is a very fine showing, and a conservative estimate is that White Eagle will show for the full 1922 year around $8 a share earned on the stock, or four times the present dividend rate.

As of December 31, 1921, the company had a working capital of less than a million and notes and accounts payable were in excess of a million. This is not an over-strong financial condition for an oil company, and directors will probably adopt a conservative dividend policy until earnings have strengthened the company's balance sheet. With earnings running at their present rate, however, the dividend could be increased and still leave the greater portion of profits with the company. Since the stock was listed on the New York Stock Exchange this year it has moved in a narrow range, the high being 29 and the low 25. At present price of 27 the yield as a $2 payer is 7.4%. On the basis of present yield alone the stock is attractive at this level, and with the prospect of larger dividends in the near future it would appear to have unusually attractive possibilities for a material enhancement in value.



Note: This is the first of a series of articles showing the best stocks in each dividend-paying group. In this issue, the best stocks paying $2 dividends per share annually are discussed. In an early issue will be found an analysis of the best stocks paying $3 per share in dividends. In later issues the best stocks paying from $4 to $8 a share will be pointed out.

Some Attractive Non-Dividend-Paying Preferred Stocks

A List of Stocks That Seem Fairly Close to Dividend Resumption

By FREDERICK LEWIS

MANY companies that for years have shown consistent earning power were so hard hit by the period of deflation in 1920-1921 that they were obliged to pass the dividends on their preferred shares. In many instances these preferred issues had gained a high investment standing and the passing of their dividends had been regarded as a remote possibility. It was not so much the loss of earning power during this period that caused such drastic action, as a year or two of unfavorable earnings could have been weathered, but the heavy loss in inventories was more than the traffic would bear.

Quite a few of these preferred stocks are still on the non-dividend paying list and in view of the general improvement in industrial conditions there are undoubtedly investment opportunities in this class of stock that should not be overlooked by the investor who is willing to go without a return on his money for perhaps a year in order to get a very substantial profit at the end of that time. In the accompanying table eleven preferred stocks are shown that have a very fair chance of resuming dividends in the comparatively near future and a few of those in the best position are disclosed herein.

American Agricultural Chemical

Up to the year ended June 30, 1921, this company had shown a remarkably consistent earning power and its securities were given a high investment rating. It was particularly hard hit by the period of depression in 1920-1921, as not only did it have to take huge inventory losses but it could not collect on its accounts receivable because of the losses suffered by the farmers. Moreover, business was at a standstill. This situation resulted in a deficit for the year ended June 30, 1921, of $11,158,442

In the fiscal year ended June 30, 1922, a good showing is not expected as further losses undoubtedly had to be taken in the early part of the year and only recently has business picked up. The company's financial condition, however, has improved in the past few months and instead of the fifteen and a half million floating debt of a year ago there is only half as much at the present time. With the farmers more prosperous, demand for fertilizer is on the increase and should be heavier next year.

There is every reason for believing that the old earning power of this company will return and that the preferred stock will again pay dividends. It is a 6% cu-

ATTRACTIVE NON-DIVIDEND PAYING PREFERRED STOCKS

	Pref. stock outstanding	Dividend rate	Last payment	Funded debt	Floating debt	Working capital	10-year aver. earnings	Price R'nge 1922 High	Price R'nge 1922 Low
Am. Agricultural Chemical	$28,455,200	$6 cum.	Apr., 1921	$36,616,000	$15,522,000	$43,962,972	$10.84	70⅛	55¼
Am. Hide & Leather	12,548,300	7 cum.	Jan., 1921	None	2,950,000	5,793,613	3.06	73	58
Am. Linseed	16,750,000	7 n.-c.	July, 1921	None	8,009,914	1,885,500	4.65	60⅞	53
Am. Sumatra	1,963,500	7 cum.	Sept., 1921	6,563,800	3,521,741	8,992,306	*45.00	71	52¼
Atlantic Gulf & W. I.	13,742,900	5 n.-c.	Jan., 1921	35,325,000	1,308,135	1,624,645	†26.00	31¼	16½
Central Leather	33,298,050	7 cum.	Apr., 1921	26,328,000	8,500,000	51,186,134	11.75	74⅜	63⅝
Consolidated Cigar	4,000,000	7 cum.	Dec., 1921	None	1,175,000	3,452,866	‡10.10	72½	47
Jewel Tea	3,640,000	7 cum.	Oct., 1919	¶1,000,000	None	2,240,122	§	73½	38½
Remington Typewriter 1st	3,998,000	7 cum.	Apr., 1921	1,408,500	1,650,000	9,085,870	22.40	73	55
Republic Iron & Steel	25,000,000	7 cum.	Jan., 1922	13,357,000	2,000,000	15,180,064	21.12	95½	74
Virginia-Carolina Chemical	21,568,555	8 cum.	Apr., 1922	26,267,000	27,421,703	26,883,161	13.06	82	65½

* Eight years. † Seven years. ‡ Three years. § Earned $8.92 on preferred in 1921. For six years there was an average deficit of $202,000.
¶ Paid off May 1, 1922.

mulative stock and back dividends up to July 1 total 7½%. **At present price of 64 it can be regarded as a very attractive long-pull speculation.**

Republic Iron & Steel

As did practically all the independent steel companies, Republic reported a deficit in 1921 and as the outlook for 1922 did not indicate a profitable year the preferred dividend was passed. This company put a large portion of its war profits back into the property and as a result is in strong financial condition. With the steel industry on the upgrade at the present time, dividends on preferred appear close regardless as to whether the proposed merger with Midvale and Inland goes through. It is very good opinion, however, that the merger will go through and in that case holders of the preferred stock will get a new preferred stock that will go at once on a dividend basis and in addition the 3½% back dividends now due will be paid up in cash. **At present price of 91 the stock looks high as a non-dividend payer already reflecting the opinion that dividends will be shortly resumed. A very large profit can not be anticipated by purchasing at this price but there should be a fair appreciation if held for a six-months pull.**

Consolidated Cigar

Consolidated Cigar reported a deficit before dividends in 1921 of $740,000 which was nearly all due to loss in inventory. In 1920, 37% and in 1919, 12½ was earned on the preferred stock. The company is reported to be doing an excellent business in the current year and a majority of the plants are in operation. It is planned to divorce this company from American Sumatra which now holds control through ownership of a majority of the common stock. It is also planned to issue 41,400 shares of new common to be offered to common stockholders at $25 a share and 5,100 shares to be offered to employees at the same price. This financing will clean up the floating debt and should enable company to immediately resume dividends on the preferred stock especially as operations now are on a favorable basis. There is no bonded debt and after new financing working capital alone will be in excess of the four million preferred stock outstanding. **There are 3½% back dividends due and at present price of 73 the preferred appears to be a very promising speculation.**

Jewel Tea

Jewel Tea management made the mistake of expanding its business at the wrong time; in addition it was hurt more than benefited by the period of inflation as operating costs cut its profits. When conditions were about at their worst, R. E. Durham took the presidency and immediately liquidated one third of the company's business for the purpose of disposing of unprofitable territories. This housecleaning produced an almost immediately favorable effect on earnings and in 1921 8.92% was earned on the preferred, as against a deficit of nearly two and a half million the previous year. Moreover, at the end of the year the floating debt had been entirely done away with. On May 1, 1922, the balance of its 6% notes were paid off. The working capital of the company is probably around a million and a half at the present time and the management may decide to hold up dividends on the preferred until it is further strengthened financially. Within a year's time, however, it would seem that dividends could be resumed. **Back dividends due total 19% so that at present price of 67 the preferred offers the possibility of considerable appreciation in value should the company continue the improvement it has already shown.**

Remington Typewriter

Remington Typewriter actually showed an operating profit of about a million dollars in 1921 but losses in inventory and other exceptional write-offs turned this into a deficit of nearly three million. Sales have shown improvement this year and recently the plants were put on full time. The portable typewriter end is especially promising as the company has a greater demand than it can supply at the present time. In spite of the losses taken in 1921 the company is in good financial condition and its working capital alone is two millions in excess of the funded debt and the 1st preferred stock outstanding. It can be seen, therefore, that there is very big asset value behind the 1st preferred. Since the first of the year the floating debt has been reduced over a million dollars and is now about a half million. This should be cleared up shortly and the way opened for dividends on the preferred. The 1st preferred is entitled to 8% dividends and 10% back dividends are due. **There would appear to be a very good chance of dividends before the end of the year and at 72 the stock looks cheap in view of the large asset value and improved operating conditions.**

Virginia-Carolina Chemical

Virginia-Carolina Chemical had the same unfavorable conditions to face as American Agricultural Chemical and as a result reported a deficit for the year ended May 31, 1921, of over fifteen million dollars. The outlook is greatly improved at the present time and liquidation of accounts receivable and inventories, together with additional financing in May of this year, has materially reduced the floating debt. Until this floating debt is further reduced, however, resumption of dividends on the preferred is unlikely and the stock should be regarded only in the light of a rather long-pull speculation. It is an 8% issue and there are 10% back dividends due. **At present price of 68 it contains possibilities of a very substantial appreciation in value but a good deal of patience may be required. Ultimately it should work out well as the company has a thoroughly established business and under normal conditions has always been able to show a good earning power.**

Central Leather

The leather industry is of the prince or pauper variety. When conditions are favorable huge profits are piled up and under unfavorable conditions the opposite is frequently the case. Central Leather was probably harder hit as regards actual money lost than any other industrial corporation in proportion to its size. It was only able to weather the storm because of the large surpluses piled up during the inflation period. In the two years 1921 and 1920 operating loss, after deducting inventory depreciation, was over thirty-three millions. The company has undoubtedly turned the corner and while there was a small deficit in the first quarter of 1922 a fair profit for the full year can be expected. In spite of the large loss taken the company is not in serious financial condition as it still has a large working capital of fifty million and through inventory liquidation will soon be able to liquidate the floating debt of eight million. There is 8¾% back dividends due on the preferred. Dividends will not be resumed in the immediate future as there is a profit and loss deficit of nearly eight millions to be made up and it will probably take all of this year and 1923 to accomplish this. **At 71, however, the stock has undoubted possibilities for the investor who has patience.**

American Hide & Leather

This company did not suffer as much as Central Leather, although its losses were heavy enough being over 7 million for the years 1921 and 1920. The company has no funded debt and its working capital of nearly six million is alone equal to $45 a share on the preferred. For the past five quarters the company has shown something earned on the preferred. **With the outlook encouraging the preferred stock at present levels of 69 appears to have very attractive speculative possibilities, although dividends are not likely this year, as surplus earnings will undoubtedly be used to strengthen the financial condition. Back dividends amount to 122¼% so that if the company does well in the future there is the possibility of a very large appreciation in the value of the stock.**

American Sumatra

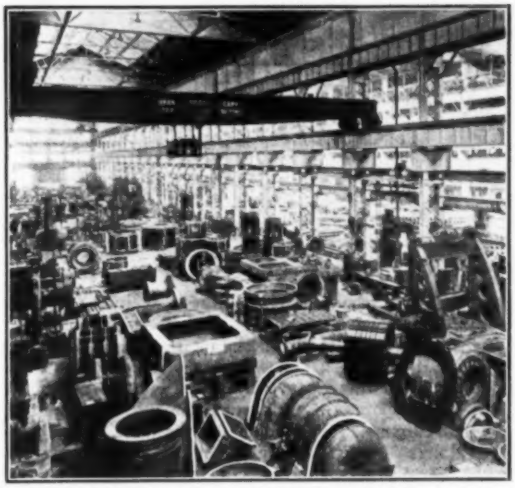
American Sumatra for the six months ended January 31, 1922, reported a loss of nearly three millions, before providing for depreciation. Conditions for the company are better this year and it is anticipated that a profit will be shown. The preferred stock has attractive possibilities for the reason that it is a very small issue and it takes only $137,445 a year to pay the dividend. The dividend was passed because of the provision of the note issue requiring that net quick assets be maintained at 175% of notes outstanding. Working capital of the company is three million dollars in excess of total notes and preferred stock outstanding so that there is big asset value behind this preferred stock. **Dividends may be held up some time because of the note provision but ultimately this stock selling at 63 should work out very well.**

General Electric Company

One of the World's Great Industrials

Shares Have Great Investment Value—Powerful Financial Position of Company

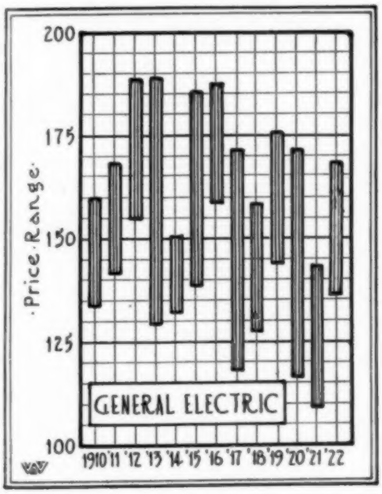
By JOHN MORROW



In one of the great shops of the General Electric Co.

JANUARY of this year, General Electric shares were selling some 32 points below current levels, the price of 136 registered in the first month of the year representing the low point for 1922. The rise since then has been a general reflection of the gradual business recovery.

Orders received by the company in 1921 were almost cut in half, as compared with 1920, falling below the $200,000,000 mark. For the first quarter of 1922 orders received were at the annual rate of over $200,000,000, and in the second quarter of 1922, the company booked at the rate of $225,000,000. These figures indicate the progressive improvement that has been going on since practically last fall.



Accustomed to considering the volume of business in the war years as an indication of what a company like General Electric ought to do, present volume of business may, to the casual observer, seem somewhat lean, but, compared with the amount of business done during the five or six years immediately preceding the war, present volume is entirely satisfactory. Last year the ratio of expense to net sales was a little over 90%, but this year the margin of profit is expected to be larger, owing to economies instituted during the past ten months, and, therefore, an amount of business equal to that of 1921 would, in all probability, show greater net profits, and, naturally, a larger balance available for stock.

Some months ago, considerable attention was diverted to General Electric because of the investigation of the Lockwood Committee in New York City. The charge was made by counsel of that committee that the company had covered up enormous profits by its methods of bookkeeping. It was asserted that, from January 1st, 1893, to December 31st, 1920, plant expenditure totaled $182,000,000, and that "write-offs" aggregated $116,000,000, reducing the book value of plant to $66,000,000. Disregarding the charge of the concealment of huge profits, it has long been generally known that General Electric has been most conservative in treating physical assets, and that they have been undervalued and written down to amounts which are probably far under real or going values. **Another interesting asset account of General Electric is that of patents and franchises, which always has been carried on the balance sheet at $1.00.**

The New Dividend Policy

For years General Electric has had only one class of stock outstanding. In 1918, the policy of paying a portion of the annual dividends in stock, instead of in cash, was adopted, and the rate of 8% in cash, and 4% in stock, has been in effect since that year. The declaration of the 4% stock dividends led to the issuance of a large amount of fractional shares, and the position of small stockholders, as they received their dividends payable in stock, was rather confused.

About a year ago, the management of General Electric considered a change, and as a result, stockholders in May, 1922, voted to increase the authorized capital stock by $35,000,000, to consist of 3,500,000 shares of $10 par value. These shares will not have voting rights, but will be entitled to 6% cumulative dividends in priority to the common stock. In other words, it is proposed to create an issue of preferred stock, having a par value of $10, with which to pay the dividends in stock which are distributed to the common shareholders. Instead of paying stock dividends in common stock, common shareholders will receive this new $10 par preferred stock, which will bear a cash dividend rate of 6%. These stock dividends will be paid at the rate of 5%, so that for each two shares of common stock, shareholders will receive an annual dividend of one $10 share of the new stock. It is expected that the first of such annual 5% stock dividends will be paid in October of this year. It will be realized that the increase in the amount of preferred stock which will be outstanding ahead of the common, will be very gradual.

Business and Financial Position

To return to the question of business, it is gratifying to note the increase in export business. Some South American and Mexican business has been booked, and the anticipated electrification development work which the Italian Government plans to undertake seems almost sure to have considerable effect upon the American manufacturers of electrical apparatus. The increasing earning power of public utilities is reflected in the orders for heavy equipment which General Electric has received. On the whole, it is likely that the

(*Continued on page* 458)

GENERAL ELECTRIC COMPANY

EARNINGS RECORD

	Sales Billed	Net Income	% Earned on Stock	Cash Divs. Paid	Stock Divs. Paid
1914	$90,467,601	$11,287,826	11.00	8	...
1915	85,522,070	11,737,909	11.55	8	...
1916	134,242,290	18,589,528	18.31	8	...
1917	196,926,318	26,903,828	14.77	9	2%
1918	216,815,278	17,104,982	14.77	8	4%
1919	229,979,983	25,077,971	21.02	8	4%
1920	275,758,488	22,132,288	16.62	8	4%
1921	221,007,992	21,652,812	12.92	8	4%

Maxwell Motor Corporation

Company Makes Swift Recovery

Unexpectedly Large Demands for Cars—Financial Improvement — Outlook for the Shares

By HENRY FRANKLIN

ONE of the features of the year in motor circles, and one which has aroused the liveliest interest in financial circles, has been the swift recovery of earning power by the Maxwell Motor Corporation. Bankrupt two years ago, reorganized and combined with the Chalmers Motors Corporation in 1921, the summer of 1922 finds the company almost at capacity production, and the senior shares in a position where there is well-founded talk of initiation of dividends.

Many attribute the redemption of the company to the managerial ability and efficiency of Walter P. Chrysler, who took hold almost two years ago. Under his guidance, Maxwell has developed a car, the touring model of which sells for slightly under $1,000, the idea apparently being small profits per car but quantity production of a popular-priced vehicle appealing to the motorist with a modest bankroll.

In this year particularly, there is an excellent demand for the lower priced medium-grade cars, and for that reason, among others, Maxwell now ranks among the half dozen big producers of automobiles. In January of this year, production was 2,300 cars, with about the same in February. The corner was not definitely turned until March, when output increased about 50%. The maximum capacity of the present Maxwell plant is about 7,500 cars a month, and in April and May the outturn was in the neighborhood of 6,500 cars, with June approaching the 7,000 mark. In other words, production in the second quarter of the current year was more than 100% greater than in the first quarter. In the way of net earnings, the first quarter did not accomplish much but the second quarter probably showed between $1,500,000 and $2,000,000. Official figures have not yet been published. In other words, second quarter earnings were at a rate large enough to inspire optimistic feeling with regard to the inauguration of dividends on Class A stock.

Notwithstanding the brilliant earnings record of this year, there is some skepticism regarding Maxwell Motor, on account of the company's unfortunate financial history. Briefly, Maxwell Motor, Inc., was incorporated in 1912 as the Standard Motor Company, the name being changed to the Maxwell title early in 1913. That company was a combination of seven or eight relatively small motor manufacturers. In 1917, Maxwell leased the properties of the Chalmers Motor Corporation. For a while there was apparent prosperity, but in 1919, earning power disappeared almost overnight, and it became necessary to consider a financial readjustment, and a virtual reorganization.

Negotiations looking toward this reorganization were started late in 1919, with the idea of consolidating with the Maxwell Company, the Chalmers Corporation, but it was not until July, 1921, that the plan was finally consummated, and the present company started on its way. In the reorganization some $15,000,000 new capital was raised, and, with this backing, operations were actively begun, with results that so far have been altogether satisfactory. It does not seem altogether fair to link up the history of the past with the outlook for the present Maxwell Company, and to judge the present and the future by the historical records.

MAXWELL MOTOR CORPORATION
MARKET ENHANCEMENT OF SHARES

	Value 1921 low	Approx. current value	Increase
151,868 shares class A stock	$5,770,987	$10,327,024	$4,556,040
531,240 shares class B stock	4,249,920	12,749,760	8,499,840
Total	$10,020,904	$23,076,784	$13,055,880

MAXWELL MOTOR CORPORATION
AS OF DECEMBER 31, 1921

Current Assets		Current Liabilities	
Cash	$2,895,284	Series "A" notes due June 1, 1922	$3,849,796
Acceptances, notes and accounts receivable	5,256,348	Accounts payable	1,841,310
Inventories	10,563,896		
Total current assets	$19,731,659	Total current liabilities	$6,278,944

Working capital, December 31, 1921, $13,452,715.
Estimated working capital, June 1, 1922, $18,000,000.

Note Payments vs. Dividends

Ahead of the $15,186,000 8% Class A stock, and the 531,240 shares of Class B stock, is a total of $7,172,000 7% notes, of which $3,000,000 are due in 1923, and the remainder in 1924. Since January 1st, Maxwell has paid off $4,849,000 notes, out of current earnings, anticipating maturity. After this, working capital is almost $18,000,000, of which 50% is said to be in cash or equivalent.

It would seem as if the management had this question to settle—whether to pay off all outstanding notes before considering dividends upon the Class A, or whether to allow the notes to go to maturity, and, in the meanwhile, inaugurate dividends. It may be that a sort of compromise will be effected, by which the company will retire, before the end of the current year, the $3,000,000 notes maturing in 1923, and then begin dividends on Class A stock.

Conclusion

Naturally, the shares, both Class A and Class B, have taken due cognizance of the improvement in earnings. From a low of 38 in 1921, the Class A or preferred stock, made a high of 74¾ this year, and the Class B has gone from 8 to 25⅞. While that rise looks large, it is not unduly so when the fact is considered that dividend payments on the Class A stock are well within the range of probabilities. It requires only $1,200,000 annually to satisfy the dividend requirements on 150,000 shares of Class A stock. It must be admitted that the recent market action in Class A stock has been most disappointing to those who thoroughly believe in the company's earning power and future. From a high of 74¾ the stock broke on a small volume of trading to 64. There is no explanation for the abrupt decline, but, neverthelesss it has rather shaken the faith of some who have absolutely believed in the speculative posibilities. On the strength of the earnings, however, it would seem as if this weakness in the stock were but a temporary phase, and not to be taken as indicative of its permanent market worth.

Between 65 and 70, the Class A shares possess excellent speculative possibilities, and the Class B stock, selling around 22, does not appear to be on an inflated basis, and, if the Class A stock goes on a dividend paying basis before the end of the year, naturally the speculative position of the Class B will be correspondingly enhanced.

Inquiries on Industrial Securities

Inquiries on Other Securities Will Be Found in Their Respective Departments

ALLIED CHEMICAL

Strong Financial Condition

As the holder of 100 shares of Allied Chemical & Dye stock I would like to have a report from you as to the condition of the company and the outlook for the stock. Is it your opinion that the dividend will be increased soon?—F. G. S., Akron, O.

When Allied Chemical was formed as a consolidation of General Chemical, Barrett Co., Solvay Process and National Aniline & Chemical it was provided with a large working capital. In 1921 only $2.27 a share was earned on the stock, because of deductions for loss in inventory and as $4 was paid out in dividends a deficit of $3,709,926 was shown. This was a relatively small amount in view of the size of the company and as of December 31, 1921, it was entirely free of bank loans and had a working capital of $66,500,000. Since the beginning of 1922 there has been a much-improved demand for the company's products including chemicals and derivatives that are universally used in industry. The nation-wide construction activities are bringing large orders to the Barrett Company. While no official figures are available as to earnings this year it is estimated that present dividend of $4 will be at least twice earned. We do not care to predict as to when the dividend may be increased, but present earnings and financial strength of the company would seem to justify an increase in the rate. At present price of 68 the stock has in our opinion attractive speculative possibilities. Capitalization consists of $7,367,000 bonds, $38,951,700 7% preferred stock and 2,169,439 shares of common of no par value.

HUDSON MOTOR

Big Output This Year

Please give me a report on Hudson Motors.—M. M., Fort Wayne, Ind.

Hudson Motor Car Company, which also operates Essex Motors, has taken full advantage of the prosperity of the automobile industry and bids fair to equal this year its record production made in 1920 when 23,631 Hudson and 24,808 Essex cars were manufactured. Definite figures on earnings thus far in 1922 are not available but on this basis of current operations it is estimated that net profits are running at the rate of $8 a share on the stock. An initial dividend of 50 cents a share was paid in July. Although this is not declared as a quarterly dividend it is understood that the directors will continue to pay this dividend quarterly. As a $2 stock the yield at the present price of $23 is 8.7%. We regard the stock as having good speculative possibilities at these levels.

U. S. STEEL

Orders Increase

I own at the present time 300 shares of United States Steel common stock. Of this I consider 100 shares in the light of a permanent investment, but the other 200 I picked up at considerably lower prices with the idea of selling out at a favorable opportunity. Would you consider it a good move to take profits now or wait for higher prices?—B. D., Rochester, N. Y.

We believe it advisable for you to hold your Steel for higher prices as this industry appears to be rather definitely on the upgrade at the present time. Orders have been coming in at a satisfactory rate and prices show an advancing tendency. The operations of the corporation are now close to 80% of capacity and it looks very much as though the 5% dividends will be covered with a margin to spare this year. Greater prosperity is undoubtedly coming to the railroads and this will mean large orders for the steel companies. This favorable outlook, in our opinion, will be reflected in higher prices for the shares in the near future.

SKELLY OIL

9,000-Barrel Production

I would like to have you send me some information about Skelly Oil.—M. H. W., Red Hook, N. Y.

Skelly Oil Co. has a reported production of 9,000 bbls. of crude oil daily in the Mid-Continental fields, two refineries with a combined capacity of 7,500 bbls. of oil daily, and its own pipe lines supply these plants. The company also has plants for making gasoline from natural gas. The company is offering its stockholders approximately 165,000 additional shares at $10 a share, which would make the total capitalization outstanding $3,500,000 1st Mtge. Collateral Trust 7½% bonds due 1931, and about 2,000,000 shares of $10 par value outstanding. Earnings for the first quarter of the year were $807,688, or at the rate of $2 a share; and it has been reported that profits are now at the rate of about $500,000 monthly, or $3 per share.

ELECTRIC STORAGE BATTERY

Grew With Automobile Industry

I have a very substantial profit on my investment of a few years ago in 100 shares of Electric Storage Battery which has now grown to 400 shares. Would you advise taking my profits or is the stock still good to hold for investment.—J. M. W., Philadelphia, Pa.

Electric Storage Battery manufactures and sells the well known "Exide" and "Willard" storage batteries and maintains service stations all over the United States. This company has grown with the automobile industry and has shown a steadily increasing earning power over a long period of years. Present capitalization consists of 795,673 shares of common stock of no par value which was given in exchange for the old par $100 stock on the basis of four for one. Company has no funded debt and only $87,500 preferred stock. For the year ended December 31, 1921, earnings were equal to $5.63 a share on present stock, as against $6.53 a share in 1920. Company is in very strong financial condition with no bank loans and a working capital of $16,700,374. We

Brooklyn Rapid Transit 7% Notes Have Very Attractive Speculative Possibilities

Will you kindly give me some information in regard to the 7% notes of the Brooklyn Rapid Transit Co. selling on the New York Stock Exchange around 84? I understand that there is considerable back interest due on these, and as the earnings of the company are better I am considering them as a speculation.

G. L. M., Jersey City, N. J.

Brooklyn Rapid Transit 7% Secured Gold Notes, of which there are $57,230,000 outstanding, are a direct obligation of the company and secured by deposit of $57,735,000 New York Municipal Railway Corporation 1st 5s of 1966 and $39,000,000 Brooklyn Rapid Transit Consolidated and Refunding 6s of 1928. Interest was defaulted January 1, 1919, and principal defaulted July 1, 1921. The certificates represent bonds deposited with protective committee and stamped certificates bonds on which the January 1, 1919 coupons have been paid. Present price is 84 for bonds, 83 for certificates and 80 for stamped certificates. Up to July 1, 1922, back interest at rate of 7% totals 28% for bonds and certificates and 24½% for stamped certificates.

Brooklyn Rapid Transit earnings have shown a remarkable improvement in recent months and company is now covering its interest charges with a substantial margin to spare. In May surplus after all fixed charges, including issues in default, was $455,000, and for the 11 months ended May 30, 1922, surplus after charges was $2,815,385 as compared with a deficit in 1921 of $5,045,791.

With earnings on so favorable a basis the position of these bonds is being rapidly strengthened. Within a year's time and perhaps very much sooner the company is likely to be out of receivership. A reorganization plan will probably be formulated soon that will take care of the defaulted interest with some new security such as an income bond or preferred stock. Back interest due is $25,000,000 but earnings are sufficient at the present to take care of the additional charge that would result in the funding of this back interest. The stock at 27 appears to be entirely out of line with the price of the bonds, as in any reorganization plan the stockholders' interests would undoubtedly come after provision had been made for taking care of the back interest. Deducting the interest due from the present market price of these bonds brings them down to 56, and they look like an unusually attractive speculative opportunity at present price.

believe this company has a bright future as its products are thoroughly established and its service stations give it so strong a hold on the trade that serious competion is not likely to develop. At present price of 43 the stock as a $3 dividend payer yields about 7%. We regard this dividend as very secure and as there is the possibility of still higher dividends the stock is attractive as a semi-speculative investment and we believe it would be advisable for you to continue to hold your shares. It is estimated that 1922 earnings will show at least $6 a share.

U. S. HOFFMAN MACHINERY

Increased Shipments

Have you any recent information as to how United States Hoffman Machinery earnings are running?—G. G. W., Scranton, Pa.

United States Hoffman Machinery is the largest producer of garment-pressing machinery in the United States and is the owner or exclusive licensee of basic patents covering manufacture of modern garment-pressing machines. In the first four months of 1922 it shipped 2,811 machines, as against 1,802 for the same period in 1921. It is estimated that on the current rate of shipments the company will be able to show as high as $6 a share earned in 1922.

MANATI SUGAR PREFERRED

Yields 9%

In looking over the list of preferred stocks I notice that Manati Sugar selling around 77 is still paying 7%. Do you believe the company will be able to continue this dividend? I am considering purchasing a little as a semi-speculative investment.—F. A. S., New York.

As you have undoubtedly noted raw sugar has had a very substantial advance
(*Continued on page* 458)

Industrial ***Oil*** ***Mining***

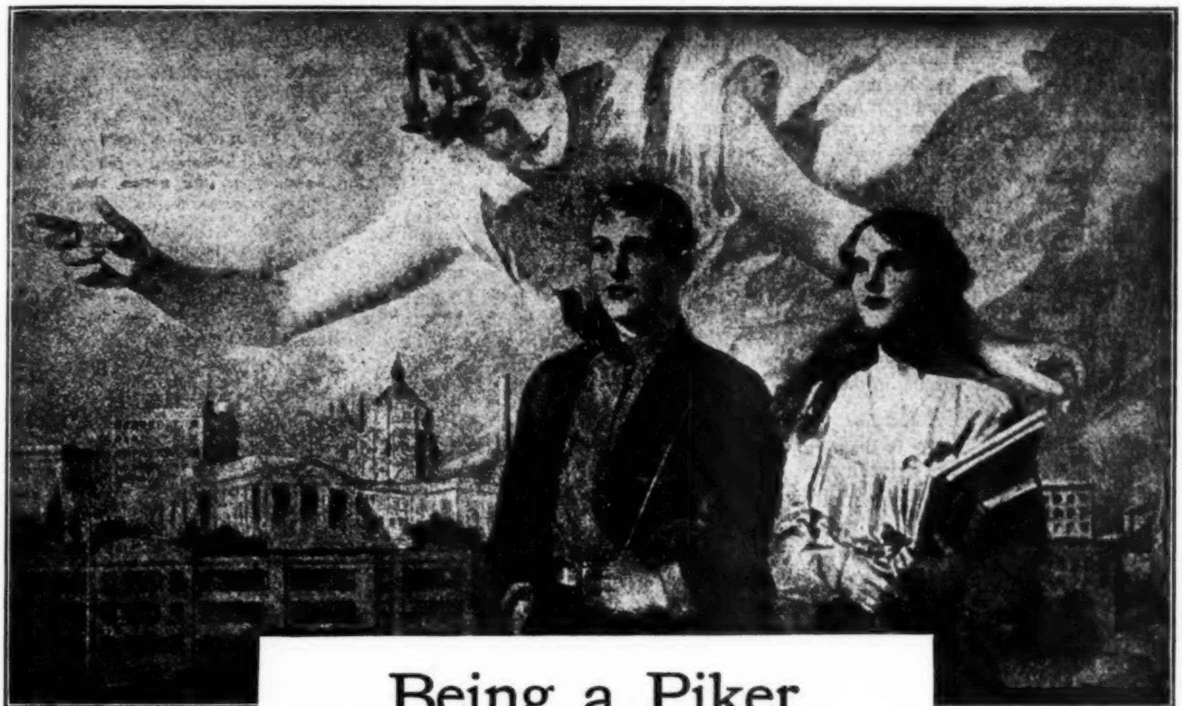
Investors' Indicator

Current Earnings—Dividends—Working Capital

	Dollars Earned Per Share in 1921									
Industrials—	First Quar.	Second Quar.	Third Quar.	Six Months	Twelve Months	1922 First Quar.	Present Dividend Rate	Recent Price	Yield on Recent Price (%)	Remarks
Allis-Chalmers	1.89	1.34	0.51	....	4.07	def.	4	52	7.7	Working capital, $24,000,000. Deficit after pfd., 1st quarter, 1922, $10,027.
Air Reduction	0.72	1.20	....	....	4.11	1.25	4	53	7.5	Working capital, $3,240,000.
Amer. La France Fire E.	0.50	0.46	....	....	1.45	0.55	1	13	8.0	Working capital, $2,406,755.
Amer. Druggists' Syndicate	....	....	....	def.	def.	....	....	5	...	1921 deficit, $883,568.
Amer. Hide & Leather pfd.	def.	2.00	1.60	....	def.	def.	....	70	...	1921 deficit, $550,257. Deficit 1st quarter, 1922, $23,230.
Amer. Locomotive com.	....	....	....	12.10	*13.34	....	6	114	5.3	Working capital, about $42,000,000.
Am. Steel Foundries	0.60	def.	....	0.06	0.13	0.54	3	37	8.1	Working capital, $13,125,532.
Butterick Co.	....	....	....	3.99	*5.23	....	....	23	...	Working capital, $3,000,000.
Central Leather	def.	def.	def.	def.	def.	def.	....	39	...	1921 deficit, $11,651,425. Deficit, 1st quarter, 1922, $230,217.
Coca Cola	0.90	1.90	2.20	....	*3.29	1.58	4	71	5.6	Now operating on low priced sugar.
Colorado Fuel & Iron	1.59	def.	def.	....	def.	def.	....	31	...	1921 deficit, $2,731,172; 1st quarter, 1922 deficit, $431,269.
Consolidated Textile	....	....	....	def.	def.	....	....	11	...	Six months' deficit, $673,777; 12 months' deficit $757,058.
Corn Products com.	1.70	1.88	3.96	....	9.21	3.47	6	104	5.8	Working capital, about $35,000,000.
Endicott Johnson	....	....	....	4.29	10.78	....	5	81	6.1	Working capital, $19,000,000.
Famous Players	6.42	6.60	4.42	....	19.01	4.95	8	82	9.8	Working capital, $10,800,000.
General Motors	....	....	....	0.31	def.	....	....	14	...	Deficit for 1921, $38,680,770, after deducting $44,465,552 inventory loss and special reserves.
Gulf States Steel	def.	....	....	....	def.	0.40	....	83	...	12 months' deficit, $731,915.
Hupp Motor	....	....	....	....	1.39	0.75	1	19	5.2	Working capital, $2,315,873.
Mack Truck com.	def.	0.89	def.	....	def.	def.	....	55	...	12 months' deficit, after preferred dividend ends, $1,009,686; 1st quarter, 1922, earned $1.20 on 2nd pfd.
Lackawanna Steel	0.01	def.	def.	def.	def.	def.	....	76	...	12 months' deficit, $3,384,877. Deficit 1st quarter, 1922, $479,972.
Lee Rubber & Tire	....	....	....	....	0.06	0.92	2	29	6.7	Working capital, $3,170,521.
Owens Bottle	0.48	....	....	....	1.09	0.72	2	35	5.7	Working capital, $8,491,508.
Pierce Arrow pfd.	def.	def.	def.	def.	*def.	def.	....	37	...	12 months' deficit, $8,963,712. Deficit 1st quarter, 1922, $25,226.
Republic Iron & Steel com.	def.	def.	def.	def.	def.	def.	....	72	...	12 months' deficit, $7,415,000. Deficit 1st quarter, 1922, $712,082.
Stewart-Warner	....	....	....	....	2.19	0.95	3	44	7.0	Working capital, $6,000,000.
Stromberg Carburetor	....	....	....	0.68	1.08	0.32	....	48	...	Working capital, $1,000,000.
Studebaker com.	3.23	6.83	5.15	....	16.10	6.49	7	137	5.1	Working capital, $30,000,000.
United Drug	....	....	....	....	def.	0.37	....	76	...	12 mos. deficit $3,636,326.
U. S. Steel com.	1.80	0.35	def.	....	2.24	def.	5	100	5.0	Working capital over $500,000,000. Deficit 1st quarter, 1922, $395,687.
Vanadium	....	....	....	def.	def.	....	....	46	...	12 months 'deficit, $427,546.
Oils—										
Caddo Central	....	....	....	def.	def.	....	....	13	...	12 months' deficit, $553,246.
California Petroleum	3.72	4.07	1.63	....	11.45	2.64	....	62	...	Working capital, $2,650,000.
Cosden & Co.	....	....	....	2.71	*0.17	....	2.50	47	5.3	Increase price of gasoline very favorable.
General Asphalt	....	....	....	def.	def.	def.	....	69	...	12 months' deficit after preferred dividends, $1,115,372.
Houston Oil	3.00	0.89	0.90	....	‡0.4	2.16	....	77	...	Working capital, $4,350,000.
Mexican Petroleum	....	....	....	17.50	26.82	....	12	162	7.5	Net current assets, $14,000,000.
Middle States Oil	....	....	....	2.06	4.15	....	1.20	14	8.6	Earnings before depreciation or depletion.
Pacific Oil	1.43	1.42	0.94	....	4.64	0.80	3	57	5.3	Earnings after depreciation.
Pan-American A	....	....	....	6.07	....	....	6	73	8.2	Owns 70.5% of Mex. Pet. com. and 75.2% pref.
Pierce Oil com.	....	....	....	def.	def.	....	....	8	...	12 months' deficit after preferred dividends, $6,135,659.
Sinclair Consol	....	....	....	0.60	def.	....	2.00	33	6.0	Net current assets, $50,000,000. 12 months' deficit after depreciation, $6,908,000.
White Oil	....	....	....	0.37	def.	....	....	9	...	12 months' deficit, $2,543,026 after deducting $2,746,447, depletion, depreciation, etc.
Mining—										
American Smelting com.	....	....	....	def.	def.	....	....	62	...	Six months' deficit, $3,203,966; 12 months' deficit, $2,576,135.
American Zinc pfd.	def.	def.	def.	def.	def.	0.50	....	46	...	12 months' deficit, $260,101.
Chino	....	....	....	def.	def.	....	....	30	...	12 months' deficit, $1,314,204.
International Nickel	def.	def.	def.	....	....	....	....	17	...	Nine months' deficit, $1,042,745.
Nevada Consolidated	def.	def.	....	def.	def.	....	....	17	...	12 months' deficit $1,633,164.
Ray Consolidated	def.	def.	....	def.	def.	....	....	17	...	12 months' deficit, $1,598,318.
Utah Copper	def.	def.	....	def.	def.	....	2	64	3.1	12 months' deficit, $2,058,109.

† Dividend rate given covers regular declared dividends on yearly basis. Extra or stock dividends are indicated in foot notes.
* After depreciation, taxes and inventory adjustments, etc.
‡ After deducting $1,034,542 for depletion of oil lands and not including payments made by Kirby Lumber Co., which in 1920 were $1,171,875, equal to 4.5% on common.

Building Your Future Income



Being a Piker

(Inspired by a remark: "A man would have to be a PIKER to carry out the investment programs and savings ideas you people recommend!")

SOME people have quaint ideas of what's what.

As boys, when one of our kind sticks to his duties, takes his education seriously, gets all he can out of his books **as quickly as he can** they call him a "grind," "teacher's pet" and other opprobrious nicknames.

As young men in the army, when one of our fellows obeyed his orders to the letter, lived up to the last of his regulations, both on and off duty, they called him a "bootlicker" and a "handshaker."

As men, the few among our associates who live scrupulously within their income, who refuse to spend more than a fixed proportion of what they earn, who invest their surplus funds in the most careful and the safest mediums, are "skinflints," "bum sports," "misers" and "pikers."

Where's the connection?

Is knowledge—a good education—something to be ashamed of, that the child should be jeered at who conscientiously seeks after it?

Was winning the war such a light, dandyish purpose that those who obeyed orders, and so helped most to win it, made themselves fit objects of ridicule?

Is conserving one's resources—living in such a way as to permit building a resource against old age and rainy days—is this laughable?

Not for us, at any rate. And not, we dare say, for any one of the few million persons still in this world who have passed the prime of life and now can only look back.

We'd rather be called a "grind"—and get a better education more quickly—than be lazy-minded, selfishly indolent, a burden,—and never get any education at all.

We'd rather have been a low private in the rear rank throughout the war, and have been conspicuous only for conscientiously doing as we were told than have "risked" a cigarette in the darkness and brought death and destruction to a whole battalion.

Most of all, we'd rather be a piker with ten thousand good, real American dollars in the bank than a dead-game sport—and broke.

Points for Income Builders

What is Meant by a Few of the More Often Heard Bookkeeping Expressions

AFTER you have bought a new car and used it for five months, you find that its market value has decreased due to wear and tear. Frequently you will not be able to sell it at more than half its original cost; sometimes at less than half.

If you have been commonly foresighted about the matter, this decline in the car's value will not surprise you or bother you financially. Instead of "carrying" the car on your personal books at its original cost, you will have "written down" its value, week by week, according to the use you have made of it.

Depreciation in corporate accounting is nothing more mysterious. It is simply a sum set aside each year which corresponds, more or less closely, with the diminished value of property, plants, machinery, natural resources, etc., during the year.

A generous depreciation allowance is frequently the surest sign of a conservative and forward-looking management.

Accounts Payable

The income account of a corporation shows its *record* during the period covered. The Balance Sheet shows its *condition* at the end of that period. "Accounts payable" appear in the balance sheet because they bear upon its condition, representing the amounts due others *not* represented by notes or other forms of indebtedness.

Sinking Fund

The corporation which undertakes to insure the discharge of a debt at maturity frequently does so by means of a "sinking fund" which therefore becomes:

> A fund which must be constantly added to out of current earnings at stipulated times and in stipulated amounts which is specifically intended for the extinguishment of a debt.

Sinking funds do not always await the debt's maturity before functioning. Frequently the amounts paid into this fund are applied immediately toward the debt, reducing it by the given sum.

Stock

Stock, or capital stock, which is divided into shares, each share representing an equivalent share of the corporation's property, is the paper certificated evidencing partnership in a given corporation.

The fact that stock-holding is *partnership* is in contrast to a bond-holding which is an evidence of *creditorship*.

Stock is "full-paid" when it has been issued in exchange for its face value in cash or its equivalent, or for its value in property. Rollins, in his famous "Money and Investments" (a book, by the way, which no Income Builder should be without), says:

"In many States, it is unlawful to issue stock in all, or at least in certain classes of, corporations except as 'fully paid.' This law is sometimes circumvented by property, which is desired by a certain corporation, being purchased in the name of some disinterested person, and by him sold to the corporation at a great advance in price, the corporation paying him in stock, equivalent to its face value to the price at which the property is taken by the corporation. This stock is afterwards distributed in accordance with the previous arrangement made. This is a questionable proceeding, but is a practice which has been largely entered into, particularly in recent years."

Current Assets

according to Thomas F. Woodlock's definition, represent the "shifting and changeable assets" of a given corporation. Included in this category may be mentioned:

Cash,
Loans,
Accounts Payable,
Bills Receivable.

In the same way, Current Liabilities represent the amounts owed subject to constant change, such as

Accounts Payable,
Bills Payable,
Interest and Dividends Accrued,
Pay-rolls,
—and all other floating indebtedness.

A New Way

President Robinson, of Peoples Savings & Trust, Makes a Suggestion

PROBABLY nobody's feelings will be hurt if it is admitted and agreed on that we Americans are not by nature a thrifty people.

Thrift implies patience, a unique capacity for sustained effort, a tendency to live toward the future rather than solely in the present. Whereas we Americans are impatient, rather than patient. For all our ability toward getting things done, we dislike undertakings that call for long, tedious, unremitting effort. We live utterly in the present, and prefer to do tomorrow's planning when tomorrow has become today.

Despite these inclinations of ours, however, many of us manage to practice thrift just the same. We manage it by what amounts to force. Being reasonably intelligent, we know that a day will come when our earning power will cease and when we shall be dependent, for the roof over our heads and the food for our mouths, either upon the State, or upon charitable relatives—or else upon the money we saved when young. So we take ourselves in hand and, by signing life insurance contracts, or partial payment security contracts, or building and loan memberships, literally *swear* ourselves into doing the thing we know we should do.

A new means toward this end has recently been worked out. It is a combination Savings Account and Life Insurance Policy. In one of its most practicable forms, it is sponsored by President A. C. Robinson of the Peoples Savings & Trust Co. of Pittsburgh. The Colonial Trust of Reading, Pa., and the Harris Trust & Savings of Chicago, we understand, have worked out similar plans.

Here is the idea as President Robinson explains it:

"Let it be supposed that a young man 25 years of age is saving $1,000 for himself. He brings to the bank $7.45 monthly for a period of 120 months, which amounts to $894 at the end of ten years. If he is living at the end of ten years, he receives from the bank $1,000, the $106 difference between what he deposits and what he withdraws being interest at 4%, less the cost of his insurance for the period. Should this man die, let us say, for example, after he has been in the plan long enough to save $200, his estate, or whomsoever he has named to receive it, receives this $200 plus $800 from the Equitable Life Assurance Society. The deposits, which go to the credit of those who join the plan, receive 4% compound interest from the bank. Those who join receive a bank book containing two parallel columns, which show simultaneously the gross amount of their deposit and amount to the credit of the depositor at any given month. They also receive the Equitable decreasing term insurance policy, which at all times, as explained above, insures them for the difference between what they have saved and what they contemplate saving—always assuming, of course, that their deposits are maintained regularly. The cost of this insurance to the depositor over the whole period of ten years, on the basis of $7.45 monthly deposit, is $75.33, or an average cost of 63c a month for such $1,000 objective."

The plan is mentioned here for its practical suggestion value to income builders.

Investments—

FOR A YOUNG MAN

By "young" we mean anywhere from 17 to 25 years of age.

We suppose him to be single.

Circumstances are supposed to be of an average sort. Thus, our man, like most other young men, is assumed to be earning more than he needs to spend. How much more, of course, will vary with cases.

* * *

Let it be agreed on, first-off, what general type of investment would be most suitable:

The average young man between the ages mentioned can look forward, we think, with confidence, to a gradually but continuously increasing earning power. Only sickness or injury, contingencies beyond his power to control, can interrupt his financial development and the development of his earning power.

CONCLUSION I—He is justified in taking some risk in the securities he buys.

CONCLUSION II—He should not buy any securities, however, until he has forearmed himself, by means of insurance, against the uncontrollable contingencies referred to above.

* * *

But this average young man has never given serious thought or study to the science of investing. Hence, what might be only a reasonable risk to a full-informed investor would be doubly dangerous in his case.

CONCLUSION III—The element of risk, at the outset, should be confined to a small fraction of his purchases. "Unstable" securities should be dealt in, at this time, more for the educational value of the experience than for the profit possibilties.

CONCLUSION IV—The degree of risk may fairly be increased as the investor becomes more and more familiar with the securities world.

* * *

Notwithstanding that his responsibilities are "light" today, they are likely to be very heavy a few years from now—or even a few months. This likelihood—which is almost a certainty—might well be made part and parcel of the program, that is, be assumed to be inevitable. Then he may never have to experience the fullness of the statement: Married happiness may survive poverty, but it certainly does not thrive on it.

CONCLUSION V—The young man should invest to the limit of his means against the responsibilities that are sure to come later.

CONCLUSION VI—He should invest in securities which will always be readily negotiable (saleable).

CONCLUSION VII—He should not assume what might be called "running liabilities" (obligations to pay out given sums at specified times over a period of years) which threaten to exceed his ability to pay were his obligations doubled and trebled as they are by marriage.

Bonds

Issue	Lowest Denomination	To Yield
Sinclair cons. 7s, 1937	$100	7.15%
Montana Pr. 5s, 1943	100	5.30

Preferred Stocks

	Market Price	To Yield
Mack Trucks 1st pfd	87½	8.2%

Common Stocks

Miami Copper	29	6.89%
Superior Oil	7	....

FOR A YOUNG WOMAN

In the case of the young woman who is considering her first investment, we say:

The *dont's* outnumber the *do's*.

* * *

Consider what you are facing as, say, a young woman of 25, going to business every day. Figure your case out like the insurance companies figure out their premiums, on the basis of the *average* experience:

The average young woman, situated as above, may look forward to a few years—ten at the most—of business life. During that time her earnings will never be large and most of the time they will be very small. Then she will "retire"—to take up the super-responsibilities of managing a home.

CONCLUSION I—The highest-grade securities are none too safe for the young business woman. Having only a limited time in which to build up her resources through her own efforts, she can ill afford to risk even minor setbacks. In her program, the element of risk should be restricted to the absolute minimum.

* * *

Most young women enter the investment world under two heavy handicaps: One is a total ignorance of the theory of investing as well as the practice. The second is a penchant for taking chances which is stronger, if anything, than in the young man.

CONCLUSION II—Besides confining her purchases to the strongest securities, she should pay the full price of what she buys, and should not indulge herself in the temptations of a marginal account.

CONCLUSION III—She should not permit herself, under any circumstances, to purchase any securities not known to be listed or dealt in on the New York Stock Exchange barring highest-grade bonds and preferred stocks offered by nationally known investment houses.

* * *

Due to the smallness of her salary, it is only through saving that she can get together enough money to permit security purchases, even in small lots.

CONCLUSION IV—For the young woman the savings bank route of building income is the ideal method. No matter how small a sum it is possible for her to refrain from spending, the savings bank will accept that sum on deposit, and pay interest on it.

CONCLUSION V—Next to the savings bank route, one of the most consistent plans is the purchase of securities on an instalment agreement, the size of each instalment being agreed on before a contract is entered into. Here, too, account should be taken of the probable early stoppage of earning power, and contracts for long periods of time therefore avoided.

Suggestions

	Lowest Denomination	To Yield
U. S. Treasury Savings ctfs.	$ 20	4½%
U. S. Liberty bonds	50	3.45+
Savings Account	1	4-4½%
Mortgage Bonds (highest grade)	100	6+
B. & L. Savings Shares	100	4½

Solving Individual Insurance Problems

Should Young Married Man Resume U. S. Government Insurance?

By FLORENCE PROVOST CLARENDON

Sacramento, California, May 21, 1922.

Insurance Department,
THE MAGAZINE OF WALL STREET,

Will you please give me whatever information as to forms and amounts of insurance which you think it would be best for a person in my circumstances to carry?
My circumstances are as follows:

Age 33 in September. Married two years. Four months' old child.
Already have $2,000 20-year endowment, three years old, in November, U. S. Government Insurance.
Spent two years in Army and five years graduate in Civil Engineering, University of California.
Have accumulated property, stocks, bonds, etc., valued at about $1,500.
Present salary about $2,400 per annum.
Have an opportunity to take up to $8,000 additional insurance with U. S. Government.

About how much should a person in the above circumstances and having average prospects take out, what kind or kinds? Would it be a good idea to take out several different kinds so that the most undesirable could be dropped or cashed in in case the premiums become too heavy due to sickness, etc.?
Would a private company with form of insurance with several kinds of benefits attached be better to take up as against the Government's standard forms and lower rates?
This is just an ordinary case. I merely want to follow the surest and quickest way of preparing for the future through insurance and savings. I haven't any rich relatives. (!) Whatever information you may be able to give me along these lines would be very deeply appreciated.

GEO. M. H..........

New York, N. Y., June 7th, 1922.

Mr. Geo. M. H........,
Sacramento, California:

As you have a wife and one child, the policy for $2,000 which you carry at present is insufficient for their protection. In event of your unexpected death, sickness and funeral expenses would probably absorb the greater part of the $2,000. The prudent thing for you, therefore, is to increase your insurance, whether with the War Risk Bureau or with a good private company, to as great an extent as you can possibly pay for; increasing the amount of your coverage as your income enlarges.

You state that you have an opportunity to take up $8,000 additional insurance with the War Risk Bureau. I assume that this represents Government insurance which was held by you and allowed to lapse, and on which you still have the privilege of reinstatement. If you can obtain $8,000 additional insurance with the War Risk Bureau, I should advise you to take it, since the premium rates are lower than you could obtain the insurance for in private companies. All overhead charges for maintenance are paid by the Government. You are therefor getting a considerable amount of insurance without paying anything for it. You are also entitled to share in any dividend disbursements that are declared by the War Risk Bureau on their policies.

In your circumstances as outlined I should advise you to take *Ordinary Life* insurance from the Government. The War Risk insurance provides for cessation of the premiums in event of total and permanent disability. This benefit runs into old age, and therefore on the Ordinary Life plan, you are only called upon to pay premiums to the War Risk Bureau so long as you are physically fit to earn a living. For this reason, the Ordinary Life insurance with the War Risk Bureau is best in your circumstances.

In the event that you decide to take still further life insurance through one of the regular life insurance companies operating on a private basis, I should advise that you select the 30-Payment Life plan at the present time. The premium in a participating company for a $5,000 policy on this plan at the age of 33 years, is approximately $140 annually (not much in excess of the Ordinary Life plan), and this sum is subject to reduction through the annual dividends payable thereunder. This form costs a trifle more than the Ordinary Life, as stated above, but it relieves your old age from the anxiety of premium payments, and builds up an estate more quickly.

The 30-Payment Life policy could be procured in a non-participating company for a somewhat smaller annual payment; but the dividend reductions in the participating companies practically equalize the amounts. In the case of good companies, the final net cost works out about the same.

Sacramento, California, June 22, 1922.

Insurance Department,
THE MAGAZINE OF WALL STREET,

Your letter of June 7th explaining the best kind of insurance for a fellow in my circumstances has been received.
Please accept my thanks for your kindness in this matter. You gave me just the information I needed. I shall probably take out the U. S. Government Ordinary Life in a short time.
Your articles in The Magazine of Wall Street are very timely and are gratefully read by many. Thanking you again for your kindness, I am

GEO. M. H..........

Regarding Casualty Insurance

I am considering changing my accident insurance. . . .
Your advice in this connection would be much appreciated.—W. P. H., Orange, N. J.

The Insurance Department of THE MAGAZINE OF WALL STREET deals only with inquiries relative to Life Insurance which seems most closely associated with its field as an investment publication. We regret that we cannot answer inquiries regarding Accident, Health and other forms of casualty insurance for this reason.

An Old Age Income for a Bachelor

Will you kindly inform me regarding an insurance policy which will pay me, after I reach the age of 60, ten dollars per week as long as I live? I am now thirty-four years of age, and single. Was interested in the article on "Bachelor Insurance" in a recent issue of your magazine.
What annual premium will I have to pay in a non-participating company and in a participating company? Will you recommend several companies which issue policies of this kind?—H. A. H., Manitowoc, Wis.

The Old Age Income Policy is usually issued with the income payable in *monthly* instalments. Thus, a policy guaranteeing an income for life after age sixty of $50 a *month* would doubtless meet your requirements as fully as one furnishing *weekly* payments of $10.

At age 34, an Old Age Income Policy guaranteeing a monthly income of $50 throughout the lifetime of the insured *after age sixty,* would cost in a participating company approximately $260 annually, premiums being payable up to age sixty. The necessary saving on the part of the insured would therefore be a little over $20 a month, less dividend reduction. The policy would not only earn dividends during the premium-paying period up to age sixty, but would continue to share in dividend distribution during the income-paying period between age sixty and age seventy.

The annual premium for a similar policy taken with a non-participating company would run from 15% to 20% lower than the amount stated above, according to the company in which it was taken. Annual dividends payable under a participating policy would, however, bring the cost in both classes—participating and non-participating—to practically an equal basis.

Most "Old Line" life insurance companies issue the Old Age Income Policy, and the cost in the well-known companies differs very little.

At age sixty, should the insured decide not to take the monthly income for life, he is entitled to a cash return of $7,440 on the policy outlined above, apart altogether from the dividends allotted to him each year. The total premium payments, maximum basis, would be, roughly, $6,800, so that you would have a guaranteed return of about $600 more than you paid, and in addition participation in dividends during the period from age 34 to age 70. Moreover, you are enabled to protect a designated beneficiary in the event of your death.

Making "The Other Fellow" Build Your Income

A Method One Investor Devised of "Passing the Buck"

By VICTOR W. KILLICK

IN my humble opinion, the man who is born heir to nothing but the raw opportunities of life needs, above everything else, two old-fashioned parents able to convince him that he cannot start too early paving his way toward financial independence.

Had my parents not been quite so earnest in impressing me with this fact, I might have flittered away more of my boy-time in play, and theaters, and pranks than I did, and in consequence I would not be as happy as I am today.

The First Mistake

I went to school and read Andrew Carnegie on thrift and after school gathered in a few cents "assisting the circulation" of a San Francisco newspaper I saved a dime a day for about eighteen months. Then a persistent parasite crossed my path and induced me to invest it all in the $25-shares of a concern projecting a railroad scheme. As far as I know, said railroad venture after fifteen years has never passed the stage of a mental conception, but I still hold two pretty pieces of paper evidencing my ownership in it.

The adventure soured me terribly against stock investments, for the time.

Still, my reasoning remained healthy. Others had, and were, making fortunes in stock investments. So, I finally concluded that in my inexperience I had merely picked a "bloomer." No matter! Next time it should be stock in a "going" and not a "prospective" concern.

Attempt No. 2

California is a State of rapidly growing population and I had moved to Los Angeles, where growth is faster than in any other section of the State. Building houses is an industry here.

My salary had been growing and I was saving faster. I invested $300 in the largest and most substantial Building & Loan Association on the coast. The concern had been in business 17 years, had never missed a dividend. From this investment I received a return for two years, when suddenly there came an internal explosion, resulting in several of the directors being sent to prison, and my investment declined from $5 to the appalling sum of 17 cents a share.

I was more than ever convinced that as a "high financeer" I'd make a good farmer.

I kept this idea in mind. I determined to act upon it. I started in search of a suitable location. The land I could buy was off in an isolated district where there was no other development. It covered ten acres and was offered at $1,000. I paid $5 down for an option and later $25 to extend the option. In time I scraped up about $500 and gave a mortgage for the balance.

As an inexperienced farmer, I think I might have been a success if anything had gone in my favor. My heart was really in it. I loved the life.

The Third Misfortune

But one reverse hit me after another out of a set of circumstances for which I was not to blame. I did not go "broke," but what little success I gained came at too great a price. I worked too hard to overcome the difficulties and hurt myself. My farming career finally terminated in a disastrous fire, caused by a neighbor's carelessness, which licked up my uninsured crops and small equipment in a few minutes.

The careless neighbor and myself could not agree on the amount of damages. The matter ended in a law suit and he was ordered to buy my land for cash. After paying off all my debts and attorney fees, I had $1,000 cash—my first thousand in a lump sum.

But I had more—a million dollar education in the art of income building. I say a million dollar education advisedly, because I shall be earning interest on this valuation in the future.

Success for me really started at this point of my career. At this point I broke the bonds of my absolute dependence upon my hourly, personal work for a livelihood, and the compensation for that work which one gets, or does not get, at the option of some employer. Here I started to become a capitalist, in no matter how small a way.

A New Thought

My contact with the building association and my attempt to buy land had taught me something about the security of first mortgages. A fifty-cent booklet on real estate law revealed some of the essential legal phases of this type of investment. It was not long before I had mapped out the scheme which is responsible for the substantial part of my income today and by which I am actually doubling my capital every six years and taking very little risk.

The plan is precisely the reverse of the one by which I accumulated my first $1,000.

Instead of obligating myself to the other fellow to perform a hundred acts, and pay interest, and sweat and assume all the responsibility for making things go, I "pass the buck" to him, so to speak. He does the work. He owes the money and takes the responsibility. He protects me from loss in addition. It is a much easier existence, also an honest and constructive work assisting deserving people upbuild the community.

I placed my first $1,000 in a first mortgage on a $5,000 property at 8% interest. Here was four to one security, with fire insurance made in my favor "and everything." The problem simply resolved itself into a matter of finding a way to compound the $80 annual interest so as to keep the interest at work at as good a return as the mortgage was earning.

Compounding the Income

I discovered that the good climate and good roads of Southern California were inducements for thousands of people to purchase automobiles, and that many of these cars were purchased on time payments. One of the large Los Angeles banks issues a Trust Certificate to fund such purchases. These are available in denominations of $100 up, are guaranteed and convertible, amounting to practically a first mortgage bond. They draw 7½% interest. I have always been able to purchase them below par at prices ranging from 93 to 99, at which cost they yield 8% or even better. They are a safe security, in my opinion, although I class them second to real estate mortgages because they are more readily affected by the conditions of the automotive industry and to an extent dependent upon these conditions.

By investing the interest earned by the mortgage together with an additional sum in cash in these auto funding securities, I have found a convenient way to compound the interest at a high rate of return. When the auto funding securities sold at 93 I was able to invest the mortgage interest with a sum averaging $48.75 in cash a year so as to double my capital every six years.

The accompanying table shows my plan more concretely.

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HOW THE PLAN WORKS OUT

	Capital value of mortgage	Capital value of trust certificate	Interest earned on total investment	Additional cash invested with interest
End 1st year	$1,000	...	$80.00	$13.00
End 2nd year	1,000	$100	87.50	5.50
End 3rd year	1,000	200	95.00	91.00
End 4th year	1,000	400	110.00	76.00
End 5th year	1,000	600	125.00	61.00
End 6th year	1,000	800	140.00	46.00
			$637.50	$292.50 (Or an average of $48.75 a year.)
Beginning 7th year	$2,000			

Public Utilities

Brooklyn Edison Co., Inc.

Company Steadily Forges Ahead

Remarkable Increase Each Year Shown in Demand for Power — Stock Attractive as an Investment

By O. P. DOBIE

BROOKLYN EDISON CO. is one of the larger Edison companies which is not so much in the limelight in the financial world, but which is steadily forging ahead and appears destined for improvement in earnings. The company should do better this year, particularly because it is making more favorable contracts for coal. It is generating all its output by steam so that fuel costs constitute its most vital factor in operating figures.

Brooklyn Edison Co. is the successor to the old Kings County Electric Light & Power Co. merged with Edison Electric Illuminating Co. of Brooklyn and inherits franchises which are perpetual. It is operating in one of the best territories obtainable, one which offers a constantly expanding field together with congested population and manufactures.

A general survey of the situation as it affects the company indicates that in 1922 it should have one of the best years in its history. Rates are favorable and allow a fair return, the courts having held in May, 1921, that it was entitled to a 15% advance in charges under which it is now operating. The advance in rates was reflected to a large extent in the 1921 earnings which were the best on record up to that time and showed dividend requirements earned approximately twice over.

Brooklyn Edison Co. operating in the greater city of New York comes under the jurisdiction of the Public Utilities Commission created last year on suggestion of Governor Miller which has authority over the companies operating only in New York City. In this respect, the company seems fortunate as the commission has shown a disposition to be fair and take account of the rights of corporations.

BROOKLYN EDISON COMPANY

	Gross	Net After Operations	Oper. Ratio (%)	Fixed Ch'ges Times Earned	Amt. Earned on Stock	Div.
1912......	$5,167,699	$2,198,354	57.46	2.06	$9.52	$8
1913......	5,665,200	2,336,431	56.92	2.87	9.29	8
1914......	6,244,385	2,678,476	57.10	2.67	10.85	8
1915......	6,928,115	2,828,803	59.16	2.81	11.66	8
1916......	8,130,190	3,779,386	53.51	4.19	16.16	8
1917......	8,304,412	3,507,720	57.78	3.57	12.39	8
1918......	8,768,038	3,530,593	59.73	3.00	10.44	8
1919......	10,709,234	4,352,028	59.36	3.08	13.10	8
1920......	13,174,875	3,948,896	70.03	2.17	9.58	8
1921......	16,396,880	6,092,118	62.86	2.30	15.96	8

The company is conservatively capitalized so that there appears to be no reason to look for rate reductions. Of course, if coal costs show any drastic decline it would only be natural to look for a corresponding decline in rates. Everything considered, 1922 will probably be the best year in its history and increasing business will permit it to benefit by larger earnings from the big amounts expended in past years for additions and betterments.

Steady Improvement

Remarkable improvement is shown by the company in both gross and net. The period of high operating costs 1916, 1917 and 1918 showed that gross increased only moderately but as soon as the World War ended business jumped ahead by leaps and bounds, increasing at the rate of around $3,000,000 each year since then. Current business indicates that gross this year will be the largest on record and should come close to the $20,000,000 mark. Since 1911, each five-year period has witnessed a 100% increase in output and company is now making plans for a similar doubling of demand for electric energy during the next five years.

New Giant Plant

Anticipating the increased demand for power the company last year made arrangements for purchase of land near the Brooklyn Navy Yard on which to build an additional generating station. Construction work will soon be under way. When plant is completed it will add materially to capacity and its ultimate capacity estimated at 300,000 kilowatts would give the company one of the largest electric generating stations in this country. Assuming that demand for power doubles in the next five years, this one plant should enable it to meet the increased demand without bringing the plant up to its ultimate estimated capacity.

The need for additional plant facilities is indicated by the following figures which show at a glance what the company is doing. Figures show kilowatt hours sold each year beginning 1911 and up to 1921:

Years	Kilowatt Hours
1911........................	73,581,315
1912........................	88,472,025
1913........................	103,398,832
1914........................	112,277,426
1915........................	143,997,941
1916........................	187,310,588
1917........................	202,823,791
1918........................	218,977,825
1919........................	255,788,797
1920........................	298,807,110
1921........................	325,764,518

Recent Financing

The high regard in which the company is held is indicated by the fact that only recently it was able to do its financing through the sale of its capital stock at par. There was issued $10,000,000 of the capital stock at par which increased total outstanding stock from $17,394,500 to $27,394,500. Stockholders were permitted to subscribe at par for 5/9 of a share for each share held and the offer was immediately taken. The additional funds received will reimburse it in part for expenditures already made and also enable it to go ahead with some of its expansion plans which in turn should be reflected in improved earnings.

Dividends

Dividend on the capital stock was increased in 1903 to the current rate of 8% annually where it has remained ever since. This is a record equalled by few companies and explains the high rating which the company enjoys. It is conservatively managed and, while future earnings suggest an increase in the rate, it is not likely that any action along this line will be taken in the near future. During the next twelve months at least, the company will need funds for completion of its expansion program and it will doubtless attempt to finance a large part of this from earnings. As it stands, the dividend seems ample and certainly shareholders receive a good return on their investment at current selling price of slightly over par.

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Brooklyn Union Gas Co.

Rapid Restoration of Earning Power

Earnings Now as Good if Not Better Than They Have Ever Been—Dividend Seems Fully Justified

By JAMES N. PAUL

THERE are perhaps few companies which within the short space of a few months have been able to show such a remarkable change in the general situation affecting earning power as Brooklyn Union Gas Company. Entering into the current year with a profit and loss deficit of upwards of $3,000,000 and a large floating debt in addition to a deficit resulting from 1921 operations, within six months thereafter the company has reached a position where its stock is on a dividend paying basis with indications that earnings this year will be as good as any previous year in its history, if not better. The answer to this is, of course, to be found in the decision of the United States Supreme Court which declared the so-called Eighty-cent Gas Law invalid.

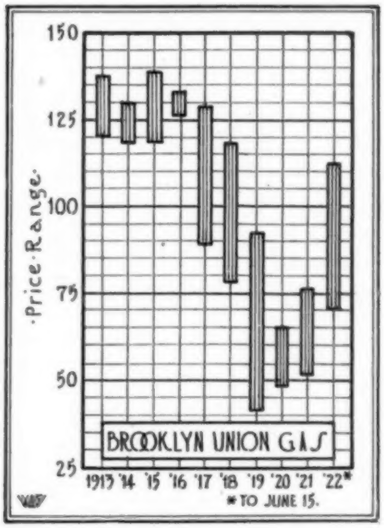
When public utility companies were popular with the investing public and their securities were an accepted medium of high-grade investments, Brooklyn Union Gas was a prime favorite. And rightly so because it had demonstrated over a period of years that its earnings were well stabilized.

The period of high operating costs, coupled with inadequate rates for its product, changed the whole complexion to the situation, and 1917 was the last year in which it was able to earn dividends.

Indicating the rapid decline of earning power, in 1917 the company earned $8.50 a share on the $18,000,000 capital stock, while in 1918 $1.10 a share was shown, though dividends of $6 were paid. Thereafter, until the current year, annual deficits were piled up which for 1921 alone reached almost to the $5,000,000 mark on the basis of the product furnished at 80 cents a thousand cubic feet.

Had the Eighty-cent Gas Law been upheld and they had been compelled to furnish gas at a loss for any greater length of time, it is doubtful if the company could have been able to exist.

The decision handed down last March had the immediate effect of sustaining a rate of $1.25 a thousand for gas, at which it is able to show an equitable profit and put the company in possession of some $8,500,000 which had been impounded on order of the court awaiting the final decision. This large sum represented the difference between the eighty-cent rate ordered by the statute and rate actually being charged. During the progress of the litigation company had been charging a $1.25 rate, and had the decision been adverse this sum would have reverted to the consumers.



Clear Sailing Ahead

As the matter now stands, Brooklyn Union Gas seems to have emerged from a long period of litigation in better shape than many other utilities and should have clear sailing before it. While rates are subject to revision by the Public Utility Board appointed to handle the local utilities, there has been no indication that the company will have to face rate reductions unless there is a marked decline in operating costs. Complete confidence in the general situation was plainly indicated when the board of directors early in June did not hesitate to place the stock on an $8 annual dividend basis.

Present rate of $1.25 a thousand feet for gas has been in effect since August, 1921, when it was reduced from $1.50 on account of declining costs for gas oil. Taken as a whole, the rate compares favorably with those received by other companies throughout this country.

Company's manufacturing and distributing cost is now estimated to be approximately $1.00 a thousand feet, leaving a profit of 25 cents, on the basis of the present gas rate, which would be available for fixed charges, dividends, etc. Output is running about 18,000,000,000 cubic feet annually, indicating a profit of close to $4,500,000.

Earnings Estimates

Estimates of earnings for the current year are difficult at this time, as no official figures have been forthcoming from the company. With operating costs under better control and constantly improving, it is probable that the company should be able to come close to earning dividend requirements twice over if present rates are not interfered with. On the basis of its comparatively low capitalization, this sum does not appear excessive, especially in view of the four lean years during which it was made a political football.

Brooklyn Union Gas appears to have been very conservatively capitalized. Recent litigation over rates brought out the fact that investment in properties used in gas production and distribution amounted to $60,000,000, and that they could not be duplicated for 50% above cost at the present time.

Total outstanding capitalization, bonds and stock, now total $46,579,000, which includes the recent bond issues of approximately $11,000,000. Question of rate reductions would involve the property valuation and in this respect the company appears extremely well fixed. Taking everything into consideration, rate

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BROOKLYN UNION GAS

	Gross	Oper. Net	% Exp. to Gross	Fixed Ch'gs Times Earned	Amt. Share on Stock	Divs. Paid
1912.....	$9,934,602	$2,955,750	76.8	3.0	$9.19	$8.00
1913.....	10,218,514	1,596,446	84.3	2.2	5.42	8.00
1914.....	10,730,812	1,918,896	81.6	2.5	7.20	8.00
1915.....	10,719,758	2,324,212	78.2	3.0	9.54	8.00
1916.....	11,353,594	1,996,172	82.4	2.6	7.72	8.00
1917.....	12,243,762	2,140,462	82.5	2.3	8.51	7.00
1918.....	13,053,798	825,604	93.7	1.2	1.11	6.00
1919.....	13,386,123	155,443	101.1	0.21	Def.	4.50
1920.....	15,894,532	1,684,217	110.6	Def.	Def.	....
1921.....	*14,572,128	3,269,030	116.0	Def.	Def.	....

* Effect of eighty-cent gas law is seen in the last three years, particularly in the last year. No account is taken in earnings of surplus moneys which were impounded but turned over to the company in March, 1922. On this basis, deficits for the last three years with the addition of the impounded funds would be converted into surplus.

Inquiries on Public Utilities

Inquiries on Other Securities Will Be Found in Their Respective Departments

CONSUMERS POWER CO.

Excellent Record

I would like to have from you a report on Consumers Power Co. I hold some of the 6% preferred stock which I regard as a permanent investment. Do you believe I am right in holding this stock or had I better sell and reinvest in a good bond. I am a business man and not entirely dependent on the income of my investments but care to hold only good securities.—R. R., Chicago, Ill.

Consumers Power Co. operates electric light, power and gas plants in the lower peninsula of Michigan, a territory of over 24,000 square miles. There has been a rapid industrial growth in this section and earnings of the company have steadily climbed upward. Since 1915 gross has increased from five and a half millions to fourteen and a half millions and net earnings have more than doubled. The year 1921 was the best in its history showing a balance after preferred dividends of two and a half millions and earnings are showing up even better this year. The company has a highly efficient management and we see no reason why it should not do well in the future. The 6% preferred stock dividends are being earned with a large margin to spare and the stock in our opinion is an excellent investment issue. Of course you could obtain a still greater degree of safety in a bond but your return on the investment would be less. As you are a business man this preferred stock is in our opinion a suitable security for you to hold and we advise you to retain it.

CONSOLIDATED GAS OF BALTIMORE

A Consistent Earner

I would appreciate your advice as to the desirability of continuing to hold Consolidated Gas, Electric Light & Power Co. of Baltimore common stock for investment purposes. I have held this for some years and always received satisfactory dividends. I could sell out now for a good profit.—J. H., Salisbury, Md.

We know of no good reason why you should dispose of your Consolidated Gas of Baltimore common stock as it appears to us to be a very desirable investment, as common stocks go. This company has for a long period of years shown an excellent earning power and even during the period of inflation, which was a very trying time for public utility companies, earnings did not fall below 9% on the common. For the year ended December 31, 1921, 13.10% was earned and earnings in the current year are on a still more favorable basis. Dividends have been paid on the common at the rate of 8% from 1917 to date. The dividend not only looks very secure but there is a good chance that a higher rate may be paid in the next few years as earnings are showing a substantial margin over the present rate. This company does the entire gas, electric light and power business of Baltimore and surrounding counties and supplies all the power for the operation of street railways. The total population served is 775,000. Considering the company's record and possibilities the stock at present price of about 110 looks attractive and our advice is to hold it.

MARKET STREET RAILWAY

Prior Preferred Yields 10%

I would like to have your opinion in regard to Market Street Railway Prior Preferred stock. I understand that it is paying $6 a share and at 60 this gives a very attractive return. Is there any nigger in the wood-pile or is the stock deserving of attention as a business man's investment?—S. G. H., Springfield, Mass.

In our opinion the prior preferred stock of Market Street Railway is entitled to consideration as a business man's investment. Earnings of the company for the first four months of 1922 were at the rate of 10% on this issue and as these earnings are on the basis of a five-cent fare and in a growing community we see no reason why they should not continue on as favorable a basis. Should the city of San Francisco decide to go through with the proposition to buy the lines of the company for $35,000,000 this stock would be placed in a still stronger position. It looks rather attractive to us at 60.

DETROIT UNITED RAILWAY

City Lines Sold

Please send me a report on Detroit United Railway. Now that the City has agreed to purchase the city lines do you believe the stock to be in a favorable position? What are the prospects for dividends?—Houghton, Mich.

The City of Detroit's agreement to purchase Detroit United urban lines has in our opinion strengthened the company. Now that it will be free of the expense of the city-line operation and hampering influence of political interference the company should be able to earn sufficient from its interurban business to pay 8% on its stock. After the purchase the company is left with 600 miles of interurban lines, valuable real estate and equipment. The City is paying the company $19,850,000. Present bonded debt of the company is $34,771,500 and capital stock $15,375,000. Deducting the $19,850,000 payment would reduce capitalization to $30,296,500. The property that remains with the company is conservatively estimated to be worth at between forty and fifty millions so that there remains a very substantial value for the common. For the year ended December 31, 1921, $5.62 was earned on the common, as against $8.22 in 1920. Conditions are much more favorable for the traction companies now as operating costs have come down. Last cash dividend was paid on March 1, 1921. A stock dividend of 2½% was paid on June 1, 1921, and 2½% in stock was declared payable September 1 and another December 1, 1921, but Michigan Public Service Commission refused company permission to pay these. The Commission based its refusal on its unwillingness to be bound by appraisal of company's properties. The City has already paid over $3,177,000 to the company, of which $400,000 represented supplies purchased. This should place company in position to resume cash dividends in the near future.

PACIFIC GAS & ELECTRIC

A Growing Company

I have been advised to make an investment in Pacific Gas & Electric common stock. Before doing so would like to have your opinion as to its merits.—E. A. S., Oakland, Cal.

We regard Pacific Gas & Electric common stock as an attractive business man's investment. This is a growing company and in the past few years both gross and net earnings have shown a healthy increase. In 1921 8.34% was earned on the common stock, as against 6.20% in the previous year. Earnings in the current year are showing up even better than in 1921. The company is in very strong financial condition and the present dividend, in our opinion, cannot only be considered very secure but there is an excellent chance of a still higher rate being paid to stockholders in the near future. At present price of 70 the return on the investment is 7.1%.

PHILADELPHIA COMPANY

A Sound Security

I hold 250 shares of Philadelphia Co. stock and would like your advice as to whether it is desirable to keep this stock in view of the fact that the company did not fully earn its dividend in 1921. If you advise sale please suggest some other good dividend-paying stock that you consider safer and gives the same return.—F. A., Trenton, N. J.

While it is true that Philadelphia Co.'s annual report for 1921 only showed $2.36 a share earned on the common, these earnings only included dividends received from its electric subsidiary, the Duquesne Light Co. Had Philadelphia Co.'s share of the actual earnings of the former been included the dividend would have been earned with a fair margin to spare. Earnings in 1922 have shown a marked improvement. For the five months ended May 31, net earnings were about three millions, as against only one million in 1921, not including earnings of the Duquesne Light. We do not feel that you need have any concern over your investment and do not know of any stock that gives as high a yield that we regard as a safer proposition.

Petroleum

The Mexican Oil Situation

Mexican Seaboard Decline Overdone — What Holders Should Do

THE appearance of salt water in the Toteco-Cerro Azul district in Mexico has completely changed the world's oil situation. It should have a very marked effect upon the earnings of American oil stocks, because competition from Mexico has long prevented American producers from reaping the full benefit of their product.

The above named pool was and still is the largest in the history of the world. It is not by any means exhausted, but, as is the case with all Mexican pools, the appearance of salt water in some of the wells is the beginning of the end, which may take several months or several years to run its full course. Holders of these securities are to be congratulated upon the fact that the three interests drawing oil from Toteco-Cerro Azul were able to get together promptly and arrange for the closing in of the wells, so that the reduced production is divided among them and the best results obtained from what is called the stripping process.

So many contradictory reports are flying around the Street about Mexican Petroleum, and the market for that stock is so erratic, that it is difficult to form definite opinions. We have reason to believe, however, that at least one Mexican Petroleum's Cerro Azul well indicated several weeks ago (that is, about June 1st) that salt water was encroaching in that field. Why, in the face of this, the stock should have been pushed up from 134 to 204, it is difficult to say, for if other people knew the situation, the Mexican Petroleum officials must have known it. Possibly it was the last chance someone might have to twist the shorts!

Mexican Petroleum officials claim that they are in the position of one who is running a livery stable where fifty horses are in service. If one or more of these horses should die, it does not mean that the owner is going out of the livery business. May we here venture the remark that the best horse in that stable is Mexican Petroleum stock, which, although frequently ridden at a terrific pace to the injury of the crowds who are attracted by its performance, is still the most nimble steed in the stable and one capable of producing more dollars than the Mexican Petroleum wells will produce barrels of oil.

It is for this reason that no one need expect to see the outstanding shares converted into the Pan-American treasury, for there is at present just enough of it out to make the game interesting.

Mexican Seaboard's Position

So far as this particular pool is concerned, Mexican Seaboard is in a much stronger position than Mexican Petroleum. Seaboard has the shallowest well, which means that it will be drawing oil long after the deep wells have been submerged by salt water. Mexican Petroleum has its wells along the outside of the Toteco border and it is from this section of the field that the greatest amount of oil has been drawn by the offsetting wells of Seaboard, Mexican Petroleum and Mexican Gulf, who were competing with each other and whose combined production established the world's record.

For anyone to be surprised at a Mexican oil pool going to salt water is an indication of unfamiliarity with the characteristics of that country's underground formation; but we do not hesitate to say that the encroachment has begun sooner and has been more rapid than was generally anticipated. As previously explained in these columns, the strength of any Mexican oil producing company depends upon its having additional territory where production is actually proven or which is highly promising owing to the geological formation. In this connection some extracts from the circular issued to stockholders of Mexican Seaboard Co. on July 12th, are interesting.

"Exaggerated repetitions have been given this month to reports issued last June that Mexican Seaboard's Cacalilao wells Nos. 4 and 5, in the Panuco District, where the company holds 36,000 acres of leases, have been abandoned. The fact that these wells had a showing of salt water does not condemn the property, as Panuco is known to be a spotty field, and it is always expected in drilling there that the percentage of non-productive wells drilled will run very high. This is a situation with which all who are well informed on Mexican oil conditions are familiar. The company is drilling new wells in Cacalilao (Panuco District), where we have two producing wells to which Sinclair interests have connected pipe line for deliveries of crude under a year's contract for up to 10,000 barrels daily.

"In reference to the company's Agua Nacida No. 3, it seems only fair to give the interpretation that the company has of this situation. Agua Nacida consists of some 17,000 acres, in which the geologists are agreed there exists one or more domes. The company is drilling this field in the effort to locate these domes. It must be understood that the oil-bearing formation in Agua Nacida and the southern fields that surround it is essentially different from that of the Toteco-Cerro Azul field. In Toteco-Cerro Azul the oil occurs along a formation of great length and width within which area practically any well drilled will be a producer; whereas in the fields farther south oil occurs in domes, and these domes have to be located by drilling test wells. In our effort to locate such a dome on Agua Nacida two wells have been drilled. The first well proved to be entirely off structure; our second well, No. 3, was more successfully located, and the drilling log showed that we had struck the limestone which forms the cap rock of the oil-bearing formation. Drilling through this limestone, we encountered a substantial showing of oil accompanied by salt water, indicating that we had located the edge of the dome. Salt water occurs under all the producing wells of Mexico, and is the accompanying agency to large production. Locations have been made for a third and fourth well. The information gained from our No. 3 shows us that we have a dome; that this dome contains oil which will be produced under the pressure of salt water. How extensive this dome is, what area of accumulation it contains or what quantity of oil is in it can only be determined by future drilling.

"Regarding the situation at Toteco, salt water has appeared in the company's wells Nos. 2, 6, 5 and 19, which wells are closed. Three other wells are producing at a reduced rate, being drawn on in accordance with a conservation agreement for only a portion of their capacity at the rate under instructions telegraphed from New York, of 50,000 barrels per day, which will be practically one-third of the production of this field. This rate will be regulated from time to time according to actual field conditions. No fixed amount can be set and only the actual performances of the wells can dictate the future amounts to be taken day by day. It is our belief, however, from past experiences, that great quantities of oil will be taken from Toteco by us, at these reduced rates. The company's obligation to deliver oil to its customers is solely contingent upon the production of the Toteco pool, although the customers are obligated to take their proportionate share of the

(*Continued on page* 475)

Facts About the South American Oils

Reports on the Position and Outlook For a Number of the More Prominent South American Oil Companies

By JAMES MAXWELL

SOMETHING about two years ago, the investing public received the first reports of actual progress in opening up the admittedly vast oil resources of South America. That was when crude oil prices were still at their peak, and talk of an early shortage of petroleum supplies was being freely indulged in. A number of companies, both large and small, were organized to engage in South American development, and millions of dollars worth of stock in these concerns was sold in the New York investment market. Those who have already become partners in this enterprise, and those who anticipate an investment, may welcome a brief review of the position and outlook of some of the more prominent concerns in the field.

Difficulties to Overcome

Before reviewing the individual companies, it is desirable to comment on the handicaps and difficulties which beset the field as a whole. An understanding of the problems in the way of success may forestall many unwise investments in meagerly financed concerns operating in the South, none of which has much chance of pulling through alive.

In the first place, development work itself in South America is unusually expensive and tediously slow. **To drill the first well on an inland acreage costs in the neighborhood of $400,000 to $500,000, though some are as low as $100,000.**

Assume the first well drilled, and the company ready for production: Then comes the greatest difficulty of all—transportation of the crude, or finished products, to the coast. For this purpose, in most cases hundreds of miles of pipelines must be laid, and, in them many millions of dollars. The lines are unusually costly because of the topography of the country, Where great mountain ranges do not offer almost insuperable barriers, there are fever infested swamps; where there are not swamps, there are untouched jungles; where there are not jungles, there are political complications. Sometimes the oil may be shipped by barge—small truck—steam railroad, instead of pipe lines; but this alternative is almost as expensive, in point of equipment required, as the pipe line method in point of labor and time.

Consider the development and coast-transportation cost, as above, with the great distance from the coast, when it is finally reached, to the consuming market, and you have what is very patently a group of obstacles that no weakly-financed or even poorly-managed company could hope to overcome. And overshadowing the whole, there is the fact that, for all the oil South America is known to contain, much of the development work now being done is in unproven and uncertain territory, and therefore of a purely wildcat sort.

Hence, the South American Oil situation may be summed up as follows: The large world-oil companies, with immense financial resources, and paying properties elsewhere now producing to maintain earnings while development work is going on, have in their South American holdings a potential source of large profits *providing* crude oil prices stay up and South American holdings meet expectations. The small concern, whose holdings are bulked in the Southern continent, and which is not equipped to stay in a non-productive field during the years needed to make it productive, has practically no chance at all.

MARACAIBO OIL EXPLORATION CO.

Maracaibo Oil Exploration is one of the largest concerns concentrating upon acreage in South America. It has large capital resources and has much to commend it to long-pull speculators. Besides, one of the Rockefellers is interested in this property.

The company is engaged in operating and developing the properties of subsidiaries in Venezuela, viz., the Mara Exploration Co., the Miranda Exploration Co., and the Paez and Perija Exploration Co. Through these concerns, Maracaibo owns exploration concessions including nearly two million acres in the Maracaibo Basin. At the end of this year, final concessions for 50% of the exploration concession will be granted.

The company proceeded on its own during 1920, drilling three wells with good results. But in 1921 an agreement was entered into with the Standard Oil Co. (New Jersey) vesting control of some of the properties in the latter company in return for its undertaking to develop them.

Standard Oil at once began intensive developments in the Jarcja district, and shallow tests in Paez and Miranda. In January of this year it completed a six- to eight-hundred barrel well in the Mene Grande field.

Maracaibo shares look to be a promising speculation at current levels, with emphasis laid on their long-pull characteristics. They are to be gradually absorbed by Standard Oil of Venezuela, formed for the purpose.

MID-COLOMBIA OIL & DEVELOPMENT CO.

The Mid-Colombia Oil & Development Co. represents, indirectly, the entrance of the Standard Oil Co. of California in South American fields. It entered the territory in October, 1921, securing an option on 51% of the major part of the Colombia holdings of Transcontinental Oil and Arkansas Natural Gas, both Benedum-Trees enterprises, operating as the Mid-Colombian Oil Co. For its interest, Standard Oil of California will pay about $4,650,000, $2,650,000 in cash and $2,000,000 in notes of Transcontinental Oil.

The Mid-Colombian properties cover over a million acres of the Simiti concession and are only thirty miles inland from the Carribean Sea. A test well down 3,000 feet disclosed nine oil-bearing sands, but with oil only in small quantities. Sixty miles south of this Honda well in Guatagui, a block of 50,000 acres is now being tested out. Here one well is down to about 3,500 feet, with a good showing of oil and gas.

Mid-Colombia also owns a 40,000-acre concession in the municipality of Ovejas, adjoining the Latin-American Petroleum Company's holdings, and on the same anticline where Standard Oil is drilling near El Carmen and the Gulf Oil Corporation at San Andres.

Mid-Colombia's stock is not available to the public. The fortunes of the company are important to the holders of Transcontinental and Standard Oil of California.

LATIN-AMERICAN PETROLEUM CO.

This is another Benedum-Trees subsidiary, and has about 600,000 acres of holdings on the upper Magdalena River. It was taken over by the Standard Oil Co. of California last April. Its properties are very promising, especially in El Carmen and San Jacinto, where a test well sunk last April shows oil and gas at 1,000 feet. This property is close to the Caribbean Sea, and easier to develop than some of the oil lands in the interior.

Latin-American Petroleum, as a Standard Oil of California enterprise, is not available to the public.

TROPICAL OIL CO. OF PITTSBURGH

Tropical Oil of Pittsburgh was the first Benedum-Trees company in South America. It was organized in 1916 with a capital of $50,000,000, of par value $25, of which $35,000,000 were issued. The company, up to 1920, had accumulated concessions on over 3,500,000 acres and drilled three wells with a combined production of from 8,000 to 15,000 barrels

per day, high-grade paraffin base crude. Its holdings are located about 300 to 500 miles inland, have numerous large seepages and represent the only so far proven producing property in the northern portion of South America. The long distance from any shipping point, however, made developments extremely difficult.

In 1920, the Standard Oil Co. of New Jersey, through the International Petroleum Co. of Canada, took the Tropical Oil properties over, Tropical Oil receiving 1,804,534 shares of the new International issue, formed for the purpose, in exchange for its 1,575,000 shares.

Tropical Oil Co. also owns valuable mineral and timber rights on these concessions and has a refinery on the mouth of the Magdalena River for export and a small refinery near wells at Baranca, Barmeja, to supply the local market with gasoline and lubricating oils. There are twenty more locations under way, and last March a 2,000 barrel well was brought in 15 miles from the Tropical production mentioned above. Standard Oil contemplates construction of a pipeline to the coast.

Tropical Oil, now controlled by International Petroleum, is not available to the public, but is of interest to investors who hold International Petroleum stock.

INTERNATIONAL PETROLEUM CO., LTD., OF CANADA

Formed in 1914, a subsidiary of the Imperial Oil Co. of Canada, which, in turn, is a subsidiary of the Standard Oil Co. of New Jersey, International Petroleum acquired control of the London & Pacific Petroleum Co. and the Lagunitos Oil Co., producing companies in Peru and the West Coast Fuel Co., a marketing concern operating in the Peruvian Oil fields at Negritos and Talar. At this port, International operates a 7,000-barrel refinery.

Oil reserves on acreage owned by the International is estimated to be good for 150,000,000 barrels. The crude is a light asphalt crude, containing 20% of gasoline and good lubricating oils.

The Peruvian Government has just recently settled titles on 400,000 acres for fifty years, and agreed also on a satisfactory base for taxes and export duties. There are, in all, 695 wells which produced 2,790,000 barrels in 1921. International's activities in Colombia have been referred to above.

International Petroleum is dealt in on the N. Y. Curb. It is one of the most reliable issues in the Standard Oil group and can be bought as an oil investment.

ANDES CORPORATION

The Leonhard Exploration Co., prior to 1921, held concessions on half a million acres north of the Tropical holdings. In July of that year a merger was effected which combined the Leonhardt & Kuhnhard Co. concessions in Colombia and Venezuela under the name of the Andes Corpoation.

Andes Corporation controls some nine million acres of undeveloped land in South America, including six million in Ecuador, two million in Colombia and 650,000 in Venezuela.

Andes stock is dealt in on the Pittsburgh Curb. The directorate of the company contains the names of some very prominent New York and Pittsburgh bankers, oil men and industrial executives. However, this appears to be purely a wild-cat proposition and will continue to be during the years that will have to pass before development work can determine the real value of the holdings.

GULF OIL CORPORATION

Gulf Oil is operating in Colombia as South American Gulf, and has headquartes in Carthagena. It has two strings of tools drilling on its concession southwest of the El Carmen property of the Latin-American Co., and about fifty miles from the Gulf of Darien. Its operations are on a conservative basis and promise to be successful.

Maracaibo Exploration Co. Well in Southern Perija

Gulf Oil, which was analyzed in a previous issue, is one of the strongest independent oils now in existence. The company may soon be taken into the Standard Oil of Indiana organization; the stock is a prime oil investment.

CARIB SYNDICATE

Carib Syndicate was organized in New York in 1915 with $200,000 capital stock of par value $25, of which $124,725 was issued. The company controls the Barco concession, about 1,250 square miles, in the province of North Santander, Colombia, bordering Venezuela, as well as about 1,400,000 acres in the Magdalena and Atlantic Coast district of Colombia. In July, 1921, the Carib Co. of Maine was organized with an authorized capital of $268,825, par $25, of which $266,325 is class A and $2,500 class B stock. The Texas Co. has under option 51% of the stock at $5,000,000. The Texas Co. elects seven of the eleven directors and undertakes the management of the properties. Class A stock elects four directors, and Class B stock seven. Carib Syndicate owns 5,269 shares of Class A, Texas Co. 100 shares of Class B. Texas Co. has the right to declare in three years if it will exercise the option. It has engineers and geologists surveying and examing the Carib properties now.

Should the Texas Co. exercise the option, Carib Syndicate stock would, of course, prove a profitable speculation.

ROYAL DUTCH-SHELL

Royal Dutch-Shell has large holdings in Venezuela and Argentina. The Carribean Petroleum Co., a subsidiary, owns 473,750 acres, has several producing wells and a refinery at San Lorenzo on the eastern shore of Lake Marazaibo, at the terminal of a pipe line from the Mene Grande field. This company also provides crude for the 6,000-barrel refinery of the Curacao Petroleum Co., another subsidiary on the island of Curacao, equipped with tank farm, bunkering station, etc.

The latter named company exported in the first quarter of this year 70,000 barrels of crude, 200,000 barrels of fuel and several cargoes of gasoline and kerosene. About 70,000 barrels of crude were shipped to the Fall River Refinery of the New England Oil Corporation. General Asphalt Co. is closely interested with Royal Dutch-Shell in their poperties in Venezuela and Trinidad.

In the Commodore Rivadavia field, in Argentina, Royal Dutch-Shell has lately acquired large concessions. This is the oldest and best producing oil district in South America.

Mining

Merger Possibilities in the Coppers

A Discussion of the Advantages and Disadvantages of Copper Company Consolidations

By C. S. HARTLEIGH

DURING a period of readjustment following a major industrial depression, the time is usually ripe for the discussion of various merger possibilities. Lessons learned during the depression encourage the directors of large corporations to ponder over the possible advantages of closer co-operation in the regulation of their various activities, for the purpose of gaining the greatest advantages from the action of the laws of supply and demand, as well as securing the benefits of reduction of heavy overhead expenses.

Mergers may be generally divided into two classes, namely, trusts formed for the purpose of regulating or stabilizing production, and thereby exerting a helpful influence on market price of the product, so far as this can be done without violating any of the laws designed to protect the public against operations in restraint of trade, or attempts to build up monopolies which might operate to the disadvantage of the average consumer of the raw material or manufactured product to be sold; or for the purpose of organizing the so-called vertical trust, which aims to bring about the co-operation and co-ordination of various producing or manufacturing units, each one of which performs a certain part of a complicated series of operations, all of which enter into the production and marketing of some particular product, but which do not in any way involve the building up of a monopoly whereby fair competition in the marketing of a finished product is throttled.

Waiting for the Steel Mergers

Most of the mergers under consideration during the past year have not been of the vertical-trust variety, although some of them involve certain features of this form of co-ordination of industrial activity. The mergers under consideration, among which steel companies have been the leaders thus far, aim to gain wider control of raw materials, manufacturing facilities and finished products, with a view to stabilizing and regulating prices for the finished product, so far as present laws relating to such activities will permit. Until the steel mergers have been adjusted and disposed of, so far as their legality is concerned, many other industrial mergers which have been under consideration, are marking time, and awaiting the outcome, on the theory that the disposal of the steel mergers will settle numerous questions in dispute, and perhaps establish precedents which may make it easier to proceed safely and efficiently with some of the co-operative plans under consideration. Merger possibilities that are evidently awaiting further light on the general situation are those involved

FINANCIAL AND PHYSICAL STATISTICS OF COPPER COMPANIES MENTIONED IN CONNECTION WITH THE PROPOSED MERGER

CAPITALIZATION:	Kennecott	Chile	Nevada	Utah	4 Companies, Total or Av.	Chino	Ray	6 Companies, Total or Av.
Funded debt	$15,000,000	$49,994,500	None	None	$64,994,000	None	None	$64,994,000
Capital stock	15,000,000	95,000,000	$9,997,285	$16,244,900	136,242,185	$4,349,900	$15,771,790	156,363,875
Total	$30,000,000	$144,994,500	$9,997,285	$16,244,900	$201,236,185	$4,349,900	$15,771,790	$221,357,875
Shares	2,788,213	3,800,000	1,999,457	1,624,490	......	869,980	1,577,179	......
Par value	None	$25	$5	$10	......	$5	$10	......
Capital per share	$10.80	$38.10	$5.00	$10.00	......	$5	$10	......
MARKET PRICE:								
Per share	$35	$22	$17	$64	......	$29	$16	......
Total property	$97,587,455	$83,600,000	$33,990,769	$103,967,360	$319,145,584	$25,229,420	$25,234,864	$369,609,868
WORKING CAPITAL:								
Total, 1921	$25,775,119	$20,018,634	$7,154,163	$16,861,569	$69,809,485	$2,202,753	$5,699,160	$77,711,398
Per share	$8.96	$5.28	$3.58	$10.38	......	$2.42	$3.61	......
LBS. COPPER PRODUCED:								
1917	144,614,000	88,370,188	82,040,508	204,855,118	519,879,814	81,925,809	86,797,586	688,603,209
1918	142,066,000	102,136,658	76,607,062	197,978,557	518,788,277	79,322,795	82,445,710	680,556,782
1919	81,914,520	76,717,872	43,971,392	110,591,608	313,195,892	42,302,728	46,746,893	402,245,513
1920	117,017,280	111,130,224	48,311,985	105,315,407	381,774,896	45,827,636	48,875,008	476,477,540
1921	64,763,420	54,008,065	*9,362,325	*24,830,587	152,964,397	*9,504,601	*10,407,840	172,876,838
5 years	550,375,220	432,363,007	260,293,772	643,571,277	1,886,603,276	258,883,569	275,273,037	2,420,759,882
Average per annum	110,075,044	86,472,601	57,676,149	143,612,607	397,836,401	57,479,474	60,093,039	515,408,914
ORE RESERVES:								
Tons ore	†264,390,000	688,629,889	‡63,401,209	362,910,100	1,379,331,198	127,335,159	82,652,220	1,589,318,577
Copper assay	2.26%	2.12%	1.58%	1.35%	1.92%	1.58%	2.06%	1.90%
Lbs. copper a share	4300	7660	1000	6000	......	4640	2165	......
NET INCOME:								
1917	$11,545,419	$3,624,997	$9,653,336	$28,695,496	$53,519,248	$9,800,975	$10,416,303	$73,736,526
1918	7,127,004	3,481,670	3,402,070	18,445,779	32,456,523	4,053,324	4,803,456	41,313,303
1919	446,871	§2,225,019	1,110,407	8,252,396	7,584,655	1,108,497	1,666,271	10,359,423
1920	1,469,397	285,684	235,904	4,924,499	6,915,484	1,319,541	911,675	9,146,700
1921	§389,856	§5,446,468	§1,633,164	§2,058,108	§9,527,598	§1,314,205	§1,598,318	§12,440,121
5 years	20,198,833	§279,136	12,763,553	58,260,062	90,948,312	14,968,132	16,199,387	122,115,831
Average per annum	4,039,766	§55,827	2,553,710	11,652,012	18,189,662	2,993,626	3,239,877	24,423,166

* Three months. † Braden mines only. ‡ Ruth mine not included. § Deficit.

Note: This table presents for comparison in the first four columns the factors relating to the four copper companies most prominent in recent merger discussions, and in the fifth column a composite of these factors. The next two columns set forth corresponding figures for Chino and Ray, less conspicuous in merger discussions, but logical candidates because under similar control and influence. The last column presents a composite of all six companies, and suggests the capital strength and physical resources that would be back of such a combination. No account has been taken of the rich ore in Kennecott's Alaskan properties, nor of the favorable developments in the Mother Lode Coalition, nor the development of Nevada's Ruth mine which has already disclosed over 400,000 tons of 7% copper ore.

in the sugar and copper industries, and between certain railroad systems that might co-operate more closely to advantage.

So far as mining companies are concerned, most consolidations of the past have been more or less circumscribed and limited to operations calculated to be of benefit to individual organizations that desire to perpetuate their existence, and gain the advantage of efficient operating organizations, by absorbing from time to time new operating units, but without any definite step toward securing any kind of monopoly that might justify government investigation. As a rule there would be little advantage in the consolidation of operating mining units for any other purpose than to gain the advantage of efficient administrative organization, for the great distances between mining properties, and lack of similarity so far as their physical characteristics are concerned, would offer no special commercial advantages. However, it is possible that there would be an advantage to both producers and consumers of a metal like copper, if a number of companies having large ore reserves, and the advantages of low operating costs, could pool their interests with a view to assisting in the adjustment, as circumstances might warrant, of the accumulated stocks of the metal by a legitimate agreement to regulate production and thereby operate with a view to helping stabilize prices.

Monopolized Control of Copper Not Likely

It is unlikely that any group of copper producers could co-operate successfully and at the same time represent a sufficient percentage of the world's production, to be an element of danger to independent producers, or to create a situation demanding government investigation on the

(Continued on page 461)

The Most Promising Copper Stocks

A Review of the Present Situation in the Copper Industry and the Outlook for the Leading Shares

By ROBERT SAUNDERS DOWST

THE story of what happened to the copper-mining industry after the World War—and to the securities of individual companies—is simple but sufficiently melancholy. War-demand and war-inflation sucked up both production and prices to giddy levels; then, with the peace, producers were left with very large stocks on hand and no market to dispose of them in. Not only had the war-demand vanished; the prostration of business all over the world was such that consumption of the red metal was almost negligible, quite insufficient to take care of current production, to say nothing of absorbing accumulated stocks of new metal and scrap. Copper broke to 12 cents a pound, and even that price was nominal, for little metal changed hands. Now, however, after a year's shutdown on the part of many large producers, and after business has been gaining real momentum, surplus stocks are greatly reduced, and it is worth while to examine the general condition of the industry and the relative merits of individual companies and their stocks.

Present Production

The prompt shutdown on the part of large producers referred to above avoided a much more serious situation than actually precipitated itself. In 1918 the world's production of copper was about 1,200,000,000 pounds; in 1919, 1,300,000,000; in 1920, 1,200,000,000. But in 1921, due to shutdowns and decreased operations where they were continued at all, the production figures dropped to less than 500,000,000. Had the production for 1921 reached the levels of previous years the copper industry as a whole would now be facing bankruptcy instead of a promising future. And now that business is reviving, slowly but surely, both here and abroad, production isn't going to jump up as fast as it went down. It can't. Anaconda has resumed, as have the leading porphyries, Utah, Chino, Nevada Consolidated, and Ray, but there is no slower process than getting a shutdown mine reopened into its old stride of tonnage. Miami, of course, which continued to produce metal—and to earn and pay dividends—even through the depression, is now operating at about 80% of capacity; Inspiration (reopened) at about 50%; New Cornelia, 40% Even assuming that the large producers will make a serious effort to jump up production quickly—which they won't—it is impossible that normal stocks of new metal shall be coming from the smelters much before eight or ten months.

Present Stocks

In other words, consumers of copper will have to depend for some time yet on accumulated stocks, and such stocks are getting low. They were enormous, a year and two years ago, but with the war-scrap worked off, with production reduced more than 50%, and with demand picking up, stocks are far from being dangerously high; in fact, at the estimated figures of 400,000,000 pounds, they verge on being dangerously low. For the first quarter of the current year domestic and foreign shipments of the metal to consumers averaged 120,000,000 pounds a month (55,000,000 pounds foreign; 65,000,000 pounds domestic), while American production in the same period was only about 90,000,000 pounds per month. Thus it is evident that the 400,000,000 pounds surplus is melting currently at the rate of some 30,000,000 pounds a month. Moreover—and this is a highly important point in the statistics of the industry at present—the recent increase in consumption has been largely domestic, due to better business in this country, whose recovery has been much more pronounced than Europe's, while of the whole surplus stock of metal of 400,000,000 pounds some 200,000,000 pounds are earmarked for export, and held to such destination by the fact that they are pledged under a bond issue of the Copper Export Association. In other words, the real American surplus is 200,000,000 pounds, subject to rapid current reduction of 30,000,000 pounds monthly.

Present Consumption

The consumption figures of 120,000,000 pounds a month are not hopes; they are actual results in the past few months. But the fact is that they are almost sure to be surpassed in the balance of the year. Business with us is not booming yet, to be sure, but it is certainly getting on its legs, and better business means more copper used. Moreover—to be more definite—the steel industry is beginning to experience good times, and steel is the surest prophet for copper. Demand for steel comes from general construction, and the demand of construction for steel is immediately followed by a demand for copper for use in the same buildings and projects a little later. When steel begins to look up it is time to look into the coppers. And steel is looking up now.

Actual mergers and rumors of mergers have been a considerable factor in the recent market for steel stocks, and reports and tips to the same effect have been circulated industriously regarding certain groups of copper-mining companies. However, copper and copper stocks are in a position now where they can appeal to the investor and spec-vestor strictly on their known merits; if mergers eventuate, so much the better.

Individual Stocks

When one thinks of copper securities one instinctively thinks of stocks. There are many attractive bonds of various copper-mining companies, but the typical copper security is stock (common, of course) and, in the following individual analyses of single companies, when I advocate purchase for given reasons I refer to a purchase of stock, unless otherwise indicated. My aim in these thumb-nail analyses is to state the outstanding quality of each company as I see it, and I have sought to treat the most desirable in definite, indicated respects.

ANACONDA

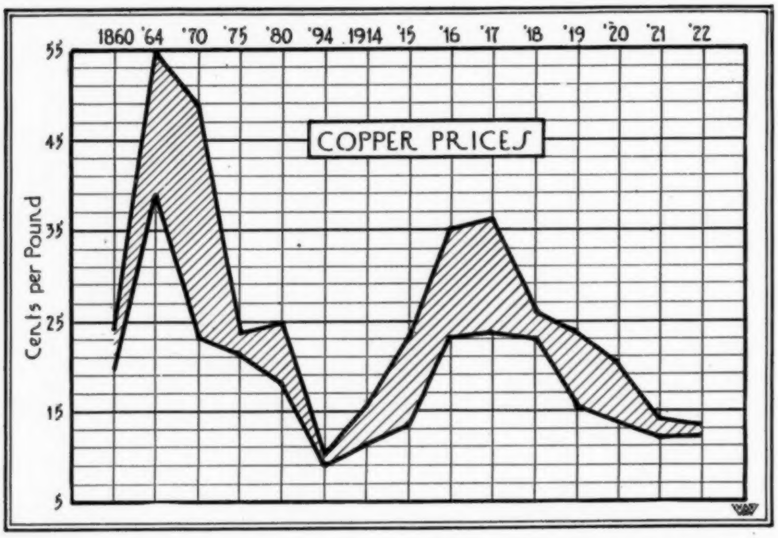
Anaconda is unquestionably the leading American copper company, both in point of prestige and of metal produced. Its mines are of the vein type; therefore large ore reserves cannot be blocked out in advance. Its recent acquisition of the American Brass Company, and its general expansion into manufacturing lines, unquestionably will do much to stabilize its business and reduce to a minimum the speculative element of any mining stock, i.e., that it is a "wasting security," so called, in that its ores must inevitably be exhausted sometime. **Anaconda has been a large earner in the past, unquestionably will continue to earn liberally in the future, and its stock at present levels in the fifties is attractive as a spec-vestment for income (though not now paying dividends) and reasonable appreciation in the future, though it has not the possibility of extreme advances of some of the other coppers.**

UTAH COPPER

If Anaconda is the leading American vein producer, Utah is the leading American porphyry. With enormous ore reserves of some 350,000,000 tons, averaging 1.34 per cent copper, Utah has some 3,940 pounds of copper (at a profit of only 3c. a pound, about $120) securing each share of its stock. Moreover, Utah owns 51% of Nevada Consolidated, and, if Utah's proportion of Nevada's ore reserves are included with its own, the copper-value of each share of Utah is increased to nearly 4,400 pounds (about $132, at a profit of only 3c. a pound). Utah has paid more than 700% on its capitalization in dividends since 1908, is now paying quarterly at the rate of $2 a year, and its price in the sixties is the market's appreciation of its large earning power, accumulated cash surplus, and prospects. **Its stock sold as high as $130 per share in 1916, and is now in a mid-position, after the bottom of last year, where it can be bought both for income and for reasonable appreciation. Utah, in a word, is the porphyry counterpart of** the vein Anaconda. The stocks of both are the nearest thing to an investment in the whole list of coppers, with the possible exception of Kennecott's.

CHILE

Chile Copper Company owns the largest known deposit of copper ores in the world, its reserves amounting to something less than 700,000,000 tons. The whole history of the operation, in its metallurgical and legal aspects, has been highly interesting; it was even necessary to invent a new process for concentrating the ores before they became commercially available. The capitalization of Chile is heavy, both its share capital and its two issues of convertible bonds, so heavy that its ore reserves per share, some 4,300 pounds of recoverable copper, are less than Utah's, with its 51% interest in Nevada Consolidated. Chile is now in the final stages of its development, having recently succeeded in getting its costs per pound near the 7c. mark, so that is threatens Motherlode's primacy as a cheap producer. The plans of the management are to put Chile on a basis of nearly 200,000,000 pounds of copper per annum, as a first step, and finally to reach 300,000,000 pounds annually. If this is done, costs kept near 8c, and 15c. realized per pound, the resulting annual earnings are enough to make one's head swim. **Chile has never paid dividends, and to that extent is a speculation, but the real values behind the stock are so enormous that a commitment involves little risk.** The 7% convertible bonds, maturing in 1923, afford a call on the stock at $25 a share until they mature, and are perfectly safe. The 6% convertibles afford a call at $35 per share until 1932, when they mature, and are an attractive opportunity to realize income while waiting to see what the next ten years will bring forth for this great operation.



KENNECOTT

Anaconda and Utah are almost in the investment class; Chile, despite its great intrinsic values, must be ranked as a speculation, since it has never paid dividends and has some difficulties of financing ahead of it. But when one comes to Kennecott, with its ownership of 616,504 shares of Utah (paying to Kennecott last year in dividends over $1,500,000), its ownership of presently profitable Alaskan properties, and its 99% ownership of valuable South American properties through the Braden Copper Company, one comes to a company of demonstrated earning power. Kennecott has something of the stability of Anaconda and Utah, and something of the future promise of Chile; taken all in all I am inclined to think that it is the most attractive copper stock today, except for the fact that it has recently had a sharp rise from the low to the high thirties. However, this rise is discounting resumption of dividends and improved prospects for the coppers generally rather than Kennecott's own speculative possibilities. During the war Kennecott paid as high as $5.50 a share in one year—this without any earnings from its Braden properties, which have always been an expense in development—and the next dividend declared cannot well be at less than the rate of $2 annually, where it was when discontinued, while the market seems to expect something better.

CHINO AND GREENE CANANEA

The chief point in favor of a commitment in these stocks is the small advance both have had from the 1921 low. Both are sound properties, Greene a vein producer in Mexico, Chino a porphyry operation in New Mexico. Chino at 32 is only 7 points above its 1922 low; Greene, at 33-34, only 8 above its 1922 low of 25¾. Chino's capitalization is very low; in 1916 it paid in dividends $8.25 per share, $9.90 in 1917. Greene has lately installed new and enlarged facilities for reduction and concentration of ores, increasing its annual capacity to 50,000,000 pounds of copper.

MOTHERLODE

The stocks discussed above are all listed on the New York Stock Exchange. But the New York Curb Market in Motherlode has a highly meritorious copper stock —to say nothing of United Verde Extension. Motherlode has just been put on a dividend basis of 50c., understood to be semi-annual, but possibly quarterly. The stock is now in the neighborhood of ten dollars a share, having had some rise in discounting the dividend, but its ore reserves, though it is a vein mine, are valued at $35,000,000, or $46 a share. It owns the ground for 8,000 feet in advance of present workings. Its property adjoins Kennecott's Bonanza mine in the Copper River Valley, Alaska. Arrangements are being made to increase production to some 36,000,000 pounds annually, which should largely increase the 1921 (note the date, a profit even in 1921) profit of $1,111,578. The company has ample cash on hand, over $2,000,000, is in strong position, and looks attractive, for it can produce its copper for 7c. a pound or less, its ores averaging 55%. **At present levels, the stock seems under-priced and should eventually sell at a higher level.**

Intimate Talks With Readers

First Principles vs. News Items — It Does Not Pay to Over-Speculate Even in Bonds

The Use and Abuse of "News"

A VERY few weeks ago Mexican Petroleum advanced from the 130s to above 200 prior to the publication of a very fine earnings statement. The advance came, literally, out of a blue sky. That somebody, or some group bought liberally below 140 and all the way up to the 160s is beyond doubt. When the stock crossed 185, the earnings statement referred to was published—not until the stock had gained about 50 points. It was not tempting for the outside investor to buy them, and the advance from that point was probably compulsory buying to cover short contracts. The scarcity of the stock at that time, its premium on borrowed stock, and other earmarks showed conclusively "that somebody had been caught short." That "somebody" might have been one, a dozen, a hundred, or various groups of operators.

The rise from the 130s to the 160s was a process of early "discounting" of something good to follow. The rise from the 160s to the 180s was perhaps not quite so sophisticated—not the sure thing those in the know had in hand at much lower prices.

It might be useless to moralize on the thought that good or bad news belongs to stockholders in the first place, but we must accept market conditions as they are. If the market were an open book, there could be no large profits, no large losses—an uninteresting affair altogether.

Should the investor wait for the good news to be published and then act accordingly? In this case, as events have proven, his position would be doubtful had he taken advantage of the "news" which was everybody's property. He could not have bought except after nearly 50 points of continuous advance, and in spite of a temporary further advance of 20 more points, this advantage would have been wiped out, and the holder faced with a possible 20 points loss. Worse still, the uncertainty of the present situation would have caused him some anxious moments.

The "Presence" of Salt Water

The thought back of this article is the publication of a report that salt water was discovered to be "present" in some of the company's Toteco-Cerro Azul wells. It seems passing strange that this "presence" did not make itself manifest during the rise in the stock, and the ghost did not walk when it was selling above 200.

Another thought — somewhere, somehow, this writer has heard it stated on the highest authority that salt water and oil are inseparable (but not altogether dangerous) companions in most Mexican fields. In other words, it has been well known that a *percentage* of salt water is "present" in most Mexican oil. This "percentage" can be potent certainly if it is a real percentage; a "trace" would also be a percentage—and any mathematician would figure out the correct decimal place for anyone interested. Beer manufactured nowadays has a "percentage" of alcohol, but this is so attenuated that it is mercifully described on most bottles as "less than ½ of 1 per cent." In other words, the way the news is dressed up is all important. For example—the presence of alcohol in a case of beer would only lead to Federal inquiry under the prohibition laws if it happened to be a real "percentage" and not a nominal one. Obviously, there can be alcohol without violations, and salt water without disaster.

The incident is very illuminating when we note the ebb and flow of prices, the almost uncanny timing of news to fit prices, and the interpretation of facts into good and bad news almost *ad libitum*.

Does it not seem passing strange that after the great run-up in Mexican Petroleum from the 130s to above 200 so terrible an item should appear as "the presence of salt water" in the Toteco-Cerro Azul pool?

Why did not the really wonderful report of earnings make its appearance when the stock was below the 140s?

There is no moral turpitude involved so far as we can see, and we are afraid that ideal conditions will never exist in the stock market for all to see, hear, watch, listen, and act upon. If the latter conditions were to come to pass, as before stated, the market would be an uninteresting affair and more dull than the traditional summer lassitude we are accustomed to expecting.

The function of the market is to anticipate coming events, which in Wall Street parlance is known as "discounting." Mexican Petroleum is a peculiar stock in many ways, closely held, supply limited, spectacular and elusive, and its business and territory of the kind that makes for uncertainty. A stock of this character is peculiarly in the limelight so far as big professional operators are concerned, and they are usually quick to follow its trend —or supposed trend—to a man. That is why it advances and falls so rapidly.

One could no more act safely on the "good news" of its large earnings a few weeks ago, than at present when the presence of salt water is hinted at—because it might turn out (and again it might not) that the "presence" is a companion of the oil anyway, and so the pessimist would also lose out.

The valuable lesson to be learned from the spectacular moves in Mexican Petroleum is—it is utterly impossible to take any news for granted so far as an immediate market movement is concerned.

It surely looks as if one can safely go back to first principles when in doubt. No matter how one examines and re-examines the Canadian Pacifics, American Telephones, or the old-line "industrials," one is driven to the conclusion that—they are best in the long run. The investor here has every chance to "discount" along with the rest, and to beat his retreat when he sees the gathering clouds.

It can't be done in the "specialties."

Scalping in Bonds

A considerable amount of money has been invested since last August by a number of semi-investors who were attracted to the bond market in the first place by the low prices then prevailing. These investors then discovered that bonds were in an old-fashioned bull market, and the secret of "success" was to subscribe for far more bonds than they could hope to carry under ordinary circumstances, wait for the public offering to be oversubscribed, watch the papers for a few days, and then cash in.

We are probably nearing the end of this easy period in the bond market when any underwriting makes good. In the case we have in mind, a speculative investor of moderate means told the writer of his intention to "take on" several hundred shares of N. Y. Telephone 6½% preferred at 100, with the idea of selling out around 105. Normally, we discovered, he would buy no more than 50 shares. We warned him not to be too confident of his ability to scalp the last 5 points in an "underwriting season" that has now fully run its course. The stock is a good one for strict investment but a poor instrument for a topheavy speculation that will involve a $20,000 investment with the hope of making $1,000. If we personally invested $20,000 we would look for a bigger certainty and a much larger profit. It is a very hazardous game, full of potential embarrassment if conditions are suddenly reversed.

What Associate Members Say

about

The Richard D. Wyckoff Analytical Staff Service

"The results during the first quarter have been a revelation. On an investment of $14,500 I have a cash balance with my broker of $17,000 and sufficient book profit to raise the total to $23,500; a total profit of $9,000, over 60%, in 2½ months."

* * * * *

"You appear to have a throttle-hold on the security market. Profit-making is practically continuous. My only regret is that I do not have more money to invest, but possibly following the various advices given will furnish it to me in due time."

* * * * *

"I am more than pleased with results and will continue a member for the entire year."

* * * * *

"I often wonder now how I ever had the nerve to ride in without knowing any more than I did previously."

* * * * *

". . . it was my misfortune that I did not participate in it long before I did, for it has not only saved me a good many dollars in steering me clear from undesirable securities, but has put me in touch with many that have been very remunerative to me."

* * * * *

"I feel that your monthly survey of the securities of your clients is most valuable and is worth your fee for membership."

* * * * *

"I am very well satisfied with the results obtained from following your instructions."

* * * * *

"Your services rendered by your organization have proved of great benefit and we will gladly recommend this method of investment procedure to our friends."

* * * * *

"Your advices have been very satisfactory indeed. I have spoken of your work very favorably to several friends of mine."

* * * * *

"Thanks to your very excellent advice I am now in position where I can carry full lots of your Standard Plan recommendations as well as certain ones of your Supplementary Plan."

* * * * *

"I am very glad to say that it will give me pleasure to recommend your Staff, as only a short association with it has demonstrated to me that your recommendations are intelligent, able and conscientious."

* * * * *

"You will be interested to know that I have just about doubled my original capital in the less than a year that I have been in 'the market.' Started last summer with about fifteen thousand dollars and now have just about thirty thousand, so it has worked out very well."

* * * * *

"I am very much pleased with your recommendations."

* * * * *

"I would like you to know how much I appreciate your advice and service."

* * * * *

"I wish to assure you of my appreciation of the service you are rendering to investors through your Staff. In the long run your assistance to investors, as well as speculators, will be of inestimable value."

* * * * *

"The Standard Plan is excellent—very conservative and comprehensive."

* * * * *

"Your service is pleasing me greatly. It strikes me as being a service of perfection, and I would be most glad to recommend it to any prospective member at any time you so desire."

* * * * *

"My experience with the Staff has been gratifying to me. I am impressed with the ability, impartiality and apparent thoroughness with which your work is conducted."

* * * * *

"One question upon which information was furnished me in great detail, was worth the entire quarterly fee."

Such testimonials of value received should help to convince even the most skeptical that our service is thoroughly worth a trial.

* * * * *

The wisest course if you desire to secure maximum return on invested capital is to confer with us and lay your problems before a staff of trained financial experts, who analyze and accurately gauge the factors that make investing safe and profitable.

COUPON

THE RICHARD D. WYCKOFF
ANALYTICAL STAFF

42 Broadway, New York.

What can your staff do for me?
I am interested in ☐ Investments for a long pull or ☐ trading or ☐ both.

(Mark the ones you are interested in.)

My present security holdings and available capital total approximately

$................

This is to be held in strictest confidence by you.

I understand there is no charge or obligation in sending for this information.

Name ....

Address ....

Phone ....

City and State..

July 22.

New York Stock Exchange

	Pre-War Period 1909-13		War Period 1914-18		Post-War Period 1919-21		1922		Last Sale July 13	Div'd $ per Share
RAILS:	High	Low	High	Low	High	Low	High	Low		
Atchison	125⅛	90¼	111¼	75	104	76	102	91¾	101⅛	6
Do. Pfd.	96¾	96	102⅛	75	89	72	91⅞	85	90¼	5
Atlantic Coast Line	148½	102½	126	79⅞	107	77	111¼	83	108½	7
Baltimore & Ohio	122¼	90⅝	96	88¼	55¼	27⅝	52¾	33½	51⅞	..
Do. Pfd.	96	77¼	80	48¼	59½	38½	63¾	52½	63½	4
Canadian Pacific	283	165	220⅛	126	170⅞	101	145	119⅛	139	10
Chesapeake & Ohio	92	51⅛	71	35⅝	70⅜	46	69¾	54	69⅜	4
Chicago Great Western	36⅞	1¼	17½	6	14½	6¼	10½	5¼	9	..
Do. Pfd.	64⅛	28	47½	17½	38⅛	14	24½	14½	22	..
C. M. & St. Paul	165⅛	86¼	107⅛	35	52¾	17¼	29¾	16½	28¼	..
Do. Pfd.	181	130½	143	62⅛	76	29½	47	29	44	..
Chicago & Northwestern	198½	123	136⅞	85	105	60	78	59	75⅝	5
Chicago, R. I. & Pacific	..	..	45⅛	16	41	22⅝	48¼	30¾	43	..
Do. 7% Pfd.	..	..	94¾	44	89¾	64	98½	83¼	95	7
Do. 6% Pfd.	..	..	80	35¾	77	54	84⅝	70¼	81¾	6
Cleveland C. C. & St. L.	92¼	34⅞	62⅝	21	61	31⅛	76¼	54	75¼	2
Delaware & Hudson	200	147½	159½	87	116	83¼	126	106¾	123¾	9
Delaware, Lack. & W.	340	192½	242	160	260½	93	130⅜	110½	129½	6
Erie	61¼	33⅛	59½	18¾	21⅛	9½	13¾	7	16½	..
Do. 1st Pfd.	49¾	26¼	54¾	15⅛	33	15	27¾	11⅛	24⅛	..
Do. 2nd Pfd.	39⅛	19½	45⅝	13⅛	23¾	10	20¼	7⅛	18¼	..
Great Northern Pfd.	157⅞	115½	134¾	79¼	100⅝	60	82	70¼	80⅛	7
Illinois Central	162⅛	102¾	115	85¼	104	80⅞	109⅞	97½	107	7
Kansas City Southern	50¼	21⅛	35⅛	13½	23⅞	13	30¼	22	‡25¼	..
Do. Pfd.	75½	56	65½	40	57	40	59½	52¾	56½	4
Lehigh Valley	121¼	62½	87⅛	50⅛	60¼	39¾	67⅜	56⅝	64¼	3½
Louisville & Nashville	170	121	141⅞	103	122¼	94	136½	108	130¾	7
Minn. & St. Louis	*65	*12	36	6⅞	24½	5⅛	14½	5	11¾	..
Mo., Kansas & Texas	51⅛	17½	24	3⅛	16⅝	¼	14	⅛	12	..
Do. Pfd.	78¼	46	60	6½	25⅛	2	14¼	1½	‡13	..
Mo. Pacific	*77½	*21⅛	38½	19⅞	38⅞	11½	25¼	16	22⅛	..
Do. Pfd.	..	..	64⅞	37½	58¾	33⅜	59¾	43½	55¾	..
N. Y. Central	147¾	90⅛	114¼	62½	84¼	64⅛	97½	72¾	93	5
N. Y., Chicago & St. Louis	109¾	90	90¾	55	65	23¾	82	51⅝	74½	5
N. Y., N. H. & Hartford	174¾	65⅛	89	21½	40⅞	12	35¼	12⅜	31¼	..
N. Y., Ont. & W.	55⅝	25⅛	35	17	27⅜	16	30½	19¾	25¾	2
Norfolk & Western	119¼	84¼	147⅛	92⅛	112½	84¼	110¾	96¼	110	7
Northern Pacific	159½	101¾	118⅞	75	99⅞	61¼	82½	73½	77⅛	5
Pennsylvania	75⅝	53	61½	40¼	48½	32¼	44¼	33¼	44⅛	2
Pere Marquette	*36½	*15	38⅛	9½	33½	12⅛	34⅞	19	32½	..
Pitts. & W. Va.	..	..	40⅛	17¾	44¾	21⅛	39¼	23	38⅝	..
Reading	89⅝	59	115½	60⅛	108	60¾	82⅞	71⅛	75⅜	4
Do. 1st Pfd.	46¼	41¼	46	34	61	32⅞	57	43	52	2
Do. 2nd Pfd.	58¾	42	52	33¾	65½	33¼	59½	45⅞	52¾	2
St. Louis-San Francisco	*74	*13	50½	21	38⅞	10¾	31½	20⅝	28⅛	..
St. Louis Southwestern	40⅛	18½	32⅛	11	40	10⅞	32⅜	20½	29¼	..
Do. Pfd.	82⅜	47½	65⅛	28	49¾	20⅛	50	32⅜	46	..
Southern Pacific	139⅛	83	110	75¾	118⅛	67½	93⅜	78⅛	90	6
Southern Ry	34	18	36¾	12½	33¼	17⅜	25¾	17⅛	24¼	..
Do. Pfd.	86⅞	43	85¼	42	72½	42	59⅜	45¾	57½	..
Texas Pacific	40½	10¼	29½	6½	70½	14	36	24	29½	..
Union Pacific	219	137¾	164⅜	101¼	138½	110	144¾	125	141	10
Do. Pfd.	118½	79¾	86	69	74¾	61¼	76⅞	71⅛	‡75	4
Wabash	*27⅞	*2	17½	7	13⅜	6⅛	14⅜	6	12¾	..
Do. Pfd. A	*61¼	*6⅛	60½	30⅞	38	17	34⅜	19⅛	31¾	..
Do. Pfd. B	..	..	32⅞	18	25½	12½	24	12¼	‡21	..
Western Maryland	*56	*40	23	9¼	15⅝	8⅜	13½	8¼	‡11½	..
Western Pacific	..	..	25½	11	40	15	24⅞	13¾	19⅛	..
Do. Pfd.	..	..	64	35	78	51½	64½	51⅝	‡59⅛	6
Wheeling & Lake Erie	*12⅜	*2½	27⅜	8	18¼	6¼	16½	6	14	..
INDUSTRIALS:										
Allied Chem.	..	..	..	..	62⅜	34	72⅜	55⅛	68⅞	4
Do. Pfd.	..	..	..	..	103¼	83	110	101	109	7
Allis Chalmers	10	7⅛	49⅛	6	53⅞	26½	52	37¾	52	4
Do. Pfd.	43	40	92	32½	97	67¼	100	86½	‡97½	7
Am. Agr. Chem.	63⅜	33½	106	47¾	113¼	26½	42⅞	29¾	‡38½	..
Do. Pfd.	105	90	103½	89⅛	103	51	70⅛	55¾	63½	..
Am. Beet Sugar	77	19¾	108½	19	103¾	24½	49	31¾	44½	..
Am. Bosch Mag.	..	..	..	..	143⅞	29⅛	49	31¼	‡40½	..
Am. Can	47⅜	6⅞	68½	19¼	68⅝	21¼	55	32⅛	53⅜	..
Do. Pfd.	129¼	98	114⅛	80	107⅝	72	107½	93¼	108	7
Am. Car & Fdy.	76½	36½	98	40	151¼	84⅛	169	141	164½	12
Do. Pfd.	124¾	107½	119½	100	119	105¾	121½	115½	‡120	7
Am. Cotton Oil	79¼	33½	64	21	67½	15⅛	30½	19⅛	26½	..
Do. Pfd.	107½	91	102¼	78	93	35½	61	41	‡58	..
Am. Drug Synd.	..	..	..	..	15⅛	4	6½	4½	5¼	..
Am. Hide & L.	10	3	22⅛	2½	43⅛	5	17⅜	12	14	..
Do. Pfd.	51⅞	15⅛	94⅞	10	142⅜	35	73	58	‡69½	..
Am. Ice	..	..	49	8⅞	83½	37	114½	78	110	7
Am. International	..	..	62⅛	12	132⅛	21¼	50⅝	38⅛	42	..
Am. Linseed	20	6⅞	47⅜	20	95	17¼	40¾	29⅜	‡34½	..
Am. Loco.	74¾	19	98¼	46⅝	117½	58	117⅝	102	112½	6
Do. Pfd.	122	75	109	93	115	96½	118	112	‡117	7
Am. Safety Razor	..	..	..	..	22	3½	8⅝	3⅝	6⅜	..
Am. Ship & Com.	..	..	..	..	47½	4¾	25⅛	5½	20⅛	..
Am. Smelt. & Ref.	105⅛	56⅝	123¾	50¼	89¾	29¼	67½	43⅝	61⅝	..
Do. Pfd.	116¾	98¼	118⅛	97	109⅝	68¼	99	86⅛	98½	7
Am. Steel Fdys.	74½	24⅛	95	44	50	18	40⅛	30¾	36¾	3
Do. Pfd.	..	..	..	..	96½	78	100	91	‡99½	7
Am. Sugar	136⅜	99⅞	126⅜	89⅛	148⅜	47⅝	81¼	54⅛	79	..
Do. Pfd.	133½	110	123½	106	119	67½	107	84	105½	7
Am. Sumatra Tob.	..	..	145⅜	15	120½	28½	47	23¼	39⅛	..
Do. Pfd.	..	..	103	75	105	64¾	71	52¼	‡62	..
Am. Tel. & Tel.	153⅜	101	134½	90⅝	119½	92⅛	124½	114½	121⅜	9
Am. Tobacco	*330	200	256	123	314½	104⅛	145½	129⅛	141⅝	12
Do. B	..	..	..	..	210	100⅛	142½	126	139⅛	12
Am. Woolen	40⅝	15	60⅞	12	169½	55½	95⅜	78¼	90¼	7
Do. Pfd.	107¾	74	102	72½	110¾	88½	109	102½	‡108	7
Anaconda	54⅜	27½	105⅜	24¼	77⅞	30	57	47	52½	..
At. Gulf & W. I.	18	5	147¾	4½	192⅝	18	43¼	23½	37¼	..
Do. Pfd.	32	10	74¾	9⅞	76½	15¾	31¼	16½	27½	..
Baldwin Loco.	60¾	36½	154½	26⅜	156¼	62¼	120¼	92¾	115⅜	7
Do. Pfd.	107½	100¼	114	90	111⅞	92	114½	104	‡112	7
Bethle. Steel B	*51⅝	*18¾	155½	59¾	112	41½	82¼	55½	76¼	5
Do. 7% Pfd.	80	47	186	68	108	87	101	90⅞	95¼	7
Do. 8% Pfd.	..	..	110½	92½	116	90	116⅝	104	‡112½	8
Calif. Packing	..	..	50	30	87½	48¼	80⅞	68	‡77¼	6
Calif. Petro.	72⅜	16	42⅜	8	56⅜	15⅜	71⅞	43⅛	61⅛	..

Price Range of Active Stocks

	Pre-War Period 1909-13 High	Pre-War Period 1909-13 Low	War Period 1914-18 High	War Period 1914-18 Low	Post-War Period 1919-21 High	Post-War Period 1919-21 Low	1922 High	1922 Low	Last Sale July 13	Div'd $ per Share
INDUSTRIALS—Continued:										
Calif. Petro. Pfd.	95½	45	81	29½	88	63	98½	88	‡94	7
Central Leather	51¼	16½	123	25⅞	116½	22⅛	41⅛	29⅜	33⅜	..
Do. Pfd.	111	80	117½	94⅞	114	57⅛	74⅛	63⅝	73	..
Cerro de Pasco	..	..	55	25	67½	23	40⅞	32¾	37½	..
Chandler Mot.	..	..	109⅞	56	141¼	38¼	79⅞	47¾	70	6
Chile Copper	..	..	39¼	11¼	29¼	7¼	23⅜	15⅛	22½	..
Chino Copper	50⅜	6	74	31⅜	50⅞	16⅜	33⅛	25⅜	29¼	..
Coca Cola	..	..	..	..	43⅝	18	74½	43	69⅝	4
Colum. Gas & E.	..	..	54⅛	14¼	69	39¼	89⅞	64⅜	89	6
Columbia Graph	..	..	*166	*97	75¼	2⅜	5¾	1¼	4½	..
Consol. Cigar	..	..	..	..	80	13½	38½	18⅝	33	..
Consol. Gas	65¼	114½	150½	112½	106⅜	71¾	123½	85	123⅛	7
Corn Prod.	[illegible]	7⅜	50½	7	105¼	46	108⅜	91¼	103⅜	6
Do. Pfd.	95½	61	113½	58⅛	112	96	118⅜	111	‡114	7
Crucible Steel	19⅝	6½	109⅞	12¼	278½	49	77⅛	52¾	74½	..
Cuba Cane Sugar	..	..	76⅜	24⅞	59⅜	5⅜	19¾	8⅛	15⅝	..
Cuban Amer. Sugar	*58	*33	*273	*38	*605	10⅞	27⅛	14½	23⅛	..
Fisk Rubber	..	..	..	..	55	8¾	19½	11¼	15⅜	..
Freeport Tex.	..	..	70⅛	25¾	64⅜	9½	26⅞	12¼	22¼	..
Gen'l Asphalt	42⅞	15½	39⅜	14⅛	160	32½	70⅛	55⅛	68⅜	..
Gen'l Electric	188½	129¾	187¼	118	176	109½	171	136	‡169	8
Gen'l Motors	*51¼	*25	*850	*74½	42	9⅜	15¼	8⅛	14½	..
Do. 6% Pfd.	..	..	99½	72¾	95	63	83½	69	‡81	6
Do. 6% Deb.	..	..	..	..	94¾	60	84	67¼	81	6
Do. 7% Deb.	..	..	..	..	94	69	97	79½	93¾	7
Goodrich	86½	15½	80¼	19⅜	93⅜	26⅝	44⅞	34½	39⅞	..
Do. Pfd.	109¾	73⅜	116¾	79⅞	109½	62½	91	80½	85	7
Gt. Nor. Ore	88½	25½	50⅜	22½	52¾	24⅞	45⅝	31⅜	40	4
Houston Oil	25½	8¼	86	10	116½	40½	85	70	74	..
Hupp Motors	..	..	11¼	2½	23¼	4⅜	21¼	10⅞	19	1
Inspiration	21⅝	13⅞	74¼	14¼	68⅞	28	45	37½	41½	..
Inter. Mer. Marine	9	2⅛	50⅞	⅝	67⅜	7⅞	27½	13¼	18¾	..
Do. Pfd.	27⅝	12½	125⅝	8	128½	36	87⅛	62¼	73	6
Inter. Nickel	*227¼	*135	57½	24½	33⅞	11⅛	19¾	11⅛	17⅝	..
Inter. Paper	19¾	6½	75½	9½	91¾	30¼	54¼	43½	51	..
Invincible Oil	..	..	..	..	47¼	5½	20⅛	12⅞	14⅝	..
Island Oil	..	..	..	..	7¼	2	3	⅝	¾	..
Kelly Springfield	..	..	85¼	36⅞	164	25½	53¾	34⅛	47¾	..
Do. 8% Pfd.	..	..	101	72	110⅜	70⅛	107⅜	90½	‡102	8
Kennecott	..	..	64¼	25	43	14⅜	39⅝	25½	36	..
Keystone Tire	..	..	46⅛	11	126¾	8⅛	24⅜	14	15½	..
Lackawanna Steel	55½	28	107	26½	107¾	32	81⅛	44	74	..
Loews, Inc.	..	..	..	..	38⅜	10	18⅝	11	15¼	..
Loft, Inc.	..	..	..	..	28	7¾	14¼	9	12	1
Mexican Pet.	90½	41¾	129⅝	46½	264	84½	204½	106¾	156¼	12
Miami Copper	30¼	12¾	49⅜	16½	32¾	14⅛	31⅜	25¼	29¼	2
Middle States Oil	..	..	..	..	71⅜	10	16	11⅝	13¼	1.20
Midvale Steel	..	..	98½	89½	62¼	22	45⅛	27⅛	34¼	..
Nat'l Lead	91	42½	74⅝	44	94½	63½	103	85	99	6
N. Y. Air Brake	98	45	136	55⅞	145¼	47½	80	57	76½	..
N. Y. Dock	49¼	8	27	9¼	70¾	16¼	46	28	‡36	2½
North American	*87⅞	*60	*81	*38⅞	46	32¼	68	44⅛	66½	5
Do. Pfd.	..	..	..	..	41½	31⅞	10½	3⅛	45	3
Pacific Oil	..	..	..	..	50⅜	27½	69⅜	44⅜	55⅜	3
Pan. Amer. Pet.	..	..	70¾	35	140¼	38⅛	86½	48⅞	70⅜	6
Do. B	..	..	..	..	111¾	34⅛	82½	44	65¼	6
Philadelphia Co.	59¼	37	48⅞	21½	48	26½	40½	31½	38¼	3
Phillips Pet.	..	..	..	..	44½	16	59¼	28¼	47½	2
Pierce Arrow	..	..	65	25	99	9¼	24⅜	13⅛	18½	..
Do. Pfd.	..	..	109	88	111	21	49	27⅞	36	..
Pittsburgh Coal	*29⅜	*10	58¾	37½	74⅝	45	68	58⅞	64	5
Pressed Steel Car	56	18½	88¼	17¼	113¾	48	83¾	63	77¾	..
Do. Pfd.	115	88½	109⅛	69	106	83	100⅞	91	‡98½	7
Punta Aleg. Sug.	..	..	51	29	120	24¾	53¼	30¾	48	..
Pure Oil	..	..	143⅞	31⅞	61⅞	21½	38⅝	29½	29⅞	2
Ry. Steel Spg.	54½	22¼	78½	19	107½	67	104¾	94	‡100	8
Do. Pfd.	113⅜	50¼	105½	75	112	92½	115¼	108¼	‡110	7
Ray Cons. Cop.	27½	7½	37	15	27½	10	19	13½	16½	..
Replogle Steel	..	..	..	..	93½	18	41	25⅛	32	..
Republic I. & S.	49½	15¾	96	18	145	41⅛	78⅝	46¼	71	..
Do. Pfd.	111¼	64½	112⅝	72	106¾	75¼	95¾	74	92¾	..
Republic Motors	..	..	77	81	74½	5	14½	4⅛	‡10⅛	..
Royal Dutch N. Y.	..	..	86	56	123⅜	40½	67	47¼	56¾	5.20
Shell T. & T.	..	..	..	..	90¼	30⅞	48½	35⅝	41⅛	.83½
Sinclair Con. Oil	..	..	67⅛	25¼	64¼	16½	38¾	18¾	32¼	2
Sloss Shef. Steel	94⅝	23	93¼	19½	89	32½	54½	34½	45	..
Stand. Oil N. J.	*148	*322	*800	*355	212	124½	198¾	169	181	5
Do. Pfd.	..	..	..	..	114½	100⅛	116⅞	113⅜	116½	7
Stromberg Carb.	..	..	45¼	21	118¼	22⅛	59⅝	35¼	47	..
Studebaker	49½	15¾	195	20	151	37¾	137¼	79⅛	136	7
Do. Pfd.	98⅛	64½	119½	70	104½	76	118	100	‡116	7
Superior Steel	..	..	96	30¼	60	26	39½	26	‡32¾	..
Tenn. Cop. & Chem.	..	..	21	11	17¼	6¼	12¾	9¾	‡10½	..
Texas Co.	144	74½	243	112	57¾	29	50½	42	46¼	3
Tex. Pac. C. & O.	..	..	..	..	195	15¾	32¾	23	‡26¾	1
Tobacco Prod.	145	100	82⅜	25	115	45	84¼	57⅛	‡79⅛	6
Transcontl. Oil	..	..	..	..	62⅝	5⅝	20⅛	7½	16	..
United Fruit	208½	126½	173	105	224⅞	95¼	148	119¾	‡142	8
Un. Retail Stores	..	..	..	..	119⅛	45⅛	71⅛	43¾	67⅜	..
U. S. Food Prod.	41⅜	9¾	64¾	5⅛	91⅜	8½	10⅛	2¾	7⅛	..
U. S. Ind. Alco.	57¼	24	171½	15	167	35¼	69	37	56	..
U. S. Rubber	59½	27	80½	44	143¾	40½	67½	51⅝	61⅞	..
Do. Pfd.	123½	98	115¼	91	119½	74	107	90	‡107	8
U. S. Smelt. & R.	59	30⅜	81½	20	78¼	26	45¾	32¾	‡40	..
U. S. Steel	94⅞	41¼	136⅝	38	115½	70¼	103¼	82	99⅞	5
Do. Pfd.	131	102½	123	102	117½	104⅛	122	114¼	121	7
Utah Copper	67½	88	130	48½	97½	41⅛	69¼	60⅝	64¾	2
Vanadium	..	..	..	..	97	25⅛	53	30¼	44⅜	..
Va.-Caro. Ch.	70⅜	22	60¼	15	92½	20¾	36⅞	27½	30⅜	..
Do. Pfd.	129½	62	115⅜	80	115⅞	57¼	82	65½	65½	..
Western Union	86¼	56	105½	53⅛	94	76	103½	89	103½	7
Westinghouse Mfg.	45	24¾	74⅞	32	59⅞	38⅞	64	49⅛	59⅜	4
White Motors	..	..	60	30	86	29¼	51¾	35⅛	48¼	4
Willys Overland	*75	*50	*325	15	40¼	4⅝	10	4½	8¾	..
Wilson Co.	..	..	84¼	42	104⅞	27½	49⅜	27⅛	‡42	..
Woolworth	177⅞	76⅛	151	81½	139¾	100	167¾	137	‡162	8

* Old stock. ‡ Bid price given where no sales made.

INQUIRIES ON INDUSTRIAL SECURITIES

(Continued from page 438)

in the past few months and the sugar-producing companies are now making money. Manati Sugar has a very valuable and complete property and is one of the lowest cost producers in Cuba. Recently the company put out a bond issue which cleaned up its floating debt and placed it in a strong financial condition. In view of the fact that the preferred dividend was paid right through the big depression in the sugar industry it would seem very unlikely that the management would cease payments now that conditions are so much brighter. We regard the stock at present price of 77 as an attractive investment opportunity and that you are justified in placing a portion of your funds in it.

PRESSED STEEL CAR
Business Increasing

Your advice in regard to some Pressed Steel Car common stock I hold will be greatly appreciated. I have held this stock for some time as a spec-vestment and as I have not received any dividends since June, 1921, am considering taking my loss and switching into some dividend-paying security. Would you regard this as a good move or do you think Pressed Steel Car will resume dividends soon and that I had better hold on?—S. A. S., Worcester, Mass.

Pressed Steel Car, after dividend payments, reported a deficit of nearly half a million in 1921 but this loss was not an important one in view of the large profits made in the preceding years. Company is in excellent financial condition with a working capital of eight million. Since the first of the year there had been a decided turn for the better in the company's business and the immediate outlook is very encouraging. The railroads are in need of equipment and as soon as the strike is settled large orders are likely to be placed. While we cannot forecast just when dividends will be resumed on the common it is our belief that such action is likely to take place within a reasonable period, and if you can afford to do without a return on your investment a little longer believe it would be advisable to retain the stock.

MEXICAN SEABOARD
The Salt Water Menace

I purchased 150 shares of Mexican Seaboard at an average price of 43 because of the large earnings reported and the liberal dividends being paid. Apparently the whole situation is now changed in view of the shutting down of several of its wells because of salt water. I would appreciate your opinion of the stock in the face of these unfavorable developments. —F. C. A., Newark, N. J.

There is no question that the salt water invasion of the Toteco field, where Mexican Seaboard has practically all its production, occurred very much sooner and to a greater degree than was anticipated. As a result of this the stock must now be regarded as in a highly speculative position and its future market action will depend on how serious the salt water menace will prove.

This company has the shallowest wells in the Toteco field and should be able to take oil out of these for a long time to come. In addition it holds oil rights on six million acres in other districts, some of which look very promising, and there is always the possibility of some new pool being found that would put the company in a very favorable position. This reserve acreage, excepting Panuco, where company has an estimated production of 10,000 barrels, is, of course, unproven. See special article on page 447.

GENERAL ELECTRIC CO.

(Continued from page 435)

business of the company is between 15 to 20 per cent ahead of last year. The readjustment period was last year, when General Electric wrote down inventories by over $17,000,000. **At present the company has approximately $70,000,000 in cash and marketable securities.** Of course, as orders increase the amount of idle cash will decrease.

Conclusion

Ahead of the share capitalization is funded debt totaling $36,219,000, consisting entirely of debenture bonds. The largest issues are the 5s of 1952, and the 6s of 1940. Notwithstanding the fact that these bonds are not secured by mortgage, they are entitled to high-grade investment rating, on account of the earning power of the company, which is sufficient to earn total interest charges from eight to twelve times.

During the last quarter of 1921, there were many traders who were absolutely convinced that General Electric common was selling on a very inflated level. Consequently a relatively large short interest was built up, which proved to be a stubborn one, and which kept its life well into 1922. The gradual driving in of the short interest was one of the reasons for the substantial rise in the shares since January this year. At the present time, it is likely that the short interest is of small proportions, and not a major influence in the market fluctuations of the shares.

The normal earning power of the company, as has been demonstrated, certainly seems sufficient to warrant the assumption of the continuance of cash dividends at the rate of 8%, and the stock dividends at the rate of 5%, payable in the new 6% preferred shares of $10 par value. Even granting this, the common shares, in the neighborhood of $170, are not exactly cheap, and from this level it seems almost as if speculative possibilities will be limited. On the other hand, the investment value of General Electric shares, as expressed by the going value of the business, by uncapitalized good will, and by the property value, is not to be doubted, even if that value is expressed in the market by the price of $170 a share, or almost $300,000,000 for the total amount of stock outstanding.

SOUND BONDS YIELDING A HIGH RETURN

(Continued from page 424)

BROADWAY & SEVENTH AVENUE RAILROAD COMPANY

1st Consolidated Mortgage 5% Bonds

These bonds are in a very unique position and at their present price of about 68, yielding over 8%, offer unusual possibilities for a substantial profit.

The road is a part of the New York Railways Company, through lease, which is in the hands of a receiver and has been experiencing rather "rough going" over the past several years. The condition of New York Railways, however, does not affect the inherent strength of the Broadway & Seventh Avenue 1st Consolidated 5s, although it does have a psychological effect on their price. This is undoubtedly why the bonds can be purchased at their present attractive levels.

The bonds are authorized in amount of $12,000,000, of which $8,150,000 are outstanding in the hands of the public and the balance reserved for other issues. The strength of these bonds lies principally in the large real estate holdings of the company, against which the bonds are a mortgage.

This real estate consists of the entire block bounded by 50th and 51st streets and Sixth and Seventh Avenues, New York City, known as the "Car Barn Block," and the eight-story office building located on the corner of Broadway and Houston Street and running through to Mercer Street. The 1921 assessed valuation of this real estate (less some accumulated taxes of about $500,000) amounted to $6,300,000, which is equal to more than the aggregate present market value of the outstanding bonds. From this real estate the company derives an income which is all but sufficient to cover interest charges on outstanding bonds.

The company's franchises are also of great value. Its line runs from Central Park, at 59th Street, down Seventh Avenue and Broadway to the Battery and South Ferry. In addition, it owns several small sections of franchise over which the cars of other lines are operated, so that if New York Railways Company was to fail to pay the interest on these bonds the holders could foreclose and recover their properties. By so doing they would be able to cut the Sixth avenue line in two; they could prevent the Lexington and Lenox Avenue line from running south of 27th Street; and the Seventh Avenue line would be obliged to abandon a large portion of its route. Such an outcome would disrupt the entire New York Railways System, and it is very difficult to imagine that the company would permit a default to occur.

The bonds have paid their interest continuously since their issuance more than twenty-eight years ago. They have paid their interest throughout two reorganizations and with the future outlook so greatly improved there is no reason to expect that they will not continue to do so. The bonds look decidedly cheap at present prices.

Current Bond Offerings

WITH a broad and firm bond market offering a fine background for new security flotations, investment firms found themselves in a good position during the past two weeks to make their offerings to the public. Money conditions continue highly favorable for such enterprises and with probabilities that the money market will be easy for the balance of the summer the outlook is that in the next few weeks, advantage of the situation will be taken to offer large amounts of new securities to the investing public.

The situation is featured by continued absorption of high-grade investment securities. An excellent test of the market was the recent offering of New York Central 5s, offered at 94½ with a yield of 5.30%.

NEW BOND OFFERINGS

	Amount	Yield Off'd (%)
STATE AND MUNICIPAL		
Sanford, Fla.	$165,000	5.20
Freeport, N. Y.	100,000	4.20
Mississippi	500,000	4.40
Sumter Co., S. C.	500,000	4.70
Logan Co., W. Va.	1,000,000	4.70-4.80
St. Louis Co., Minn.	500,000	4.40
Cincinnati, O.	1,000,000	4.28
Jamestown, N. Y.	750,000	4.20-4.15
Mt. Vernon, N. Y.	1,600,000	4.25
PUBLIC UTILITY		
N. Y. & Richmond Gas Co.	$2,000,000	6.20
Tex. Pr. & Lt.	2,000,000	6.60
Cumberland Co. Pr. & Lt. Co. (Portland, Me.)	9,000,000	5.75
Nor. States Pr. Co.	2,000,000	5.74
INDUSTRIAL		
Baragua Sugar	$4,500,000	7½
Constantin Refg. Equip. Trust	720,000	6½
Pittsburgh Gage & Supply Co.	600,000	6½
FOREIGN		
Province of Alberta, Can.	$3,500,000	5½
Kingdom of the Netherlands	50,000,000	6.10-6.20
RAILROAD		
N. Y. Cen. R.R. Co.	$25,000,000	5.30
POSSESSIONS		
Philippine Govt.	$2,750,000	4.56

Outlook for Rates on Industrial Issues

Industrial issues were offered at rates varying from 6½% to 7½%. It does not appear that such rates can be obtained very much longer, especially with industrial concerns of good rating. As reflected by money market conditions, the change in the offered yields of industrial bonds has been the least of any group in the past year. Very likely further demonstration of the fact that industry has turned the corner will result in lowering the offered yields on such new securities.

Opportunities in New Railroad Issues

The average rate on new public utility offerings is about 6%, and rails are offered at an average rate of 5¼%. The latter rate is to be taken as acknowledgment of at least the partial restoration of railroad credit. Excellent opportunities for investment are to be had in new railroad issues, and despite the fact that they are being offered at lower rates than a year or two ago, they are still out of line with the rates on the best railroad bonds, offering a difference of as high as ½ to 1%. In other words, whereas old line gilt-edge railroad bonds are now yielding no more than in the neighborhood of 4½%, equally good securities may be had among the new issues to yield, as with the New York Central 5s, about 5¼%. This is an opportunity that should not be overlooked by careful investors.

Of course, the success which investment houses will have with their new issues depends largely on money market and general business conditions. Thus far these factors are favorable and it may be expected that continued success will be had along these lines. However, the time is coming when money rates will not be quite so favorable as they are at present, and some difficulty in the way of floating new issues may be expected. Under the circumstances investors at the present time probably have as good an opportunity for investment in new issues as they are likely to have during the balance of the year.

WILL THE TARIFF CRIPPLE INDUSTRY?

(Continued from page 410)

thought in the modest days of 1909, before we had been corrupted by the wallow of war profits, to be the topmost thing in tariffs. But it is evident that to comprehend what the rates mean comparatively it must be considered that the prices of dutiable commodities are today something like 50 per cent more than they were during the life of the Payne-Aldrich bill—which means that the 50 per cent rates of the Fordney-McCumber bill are in actual effect from 65 to 75 per cent as compared with the 40 per cent of the Payne-Aldrich law on the basis of prices at the time of the latter. They are potentially, in like manner of comparison, about twice those of the Underwood tariff law, now in effect except as modified by the Fordney emergency tariff act.

If such unheard-of rates shall prove prohibitive—and I believe that they will be practically so—two things must follow:

(1) The further monopolization of our industries, attended with an enormous increase in the prices and cost of living.

(2) A revolutionary reduction of production and drastic curtailment of employment.

I suppose that the trusts and monopolies that are supporting this measure must have concluded that a smaller business with profiteering profits will be more lucrative than a larger business with a smaller percentage of profits. For a short time that may prove to be true, but if so it will be at the cost of the ultimate extinction of all profit and through the relative impoverishment of the masses of the people. That is not prosperity. **Prosperity is more income than outgo all around, expanding trade and advancing standards of living. These depend on a flourishing, not on a languishing commerce. I had supposed that the supermen of our business world understood these primer principles of economics, but now I have my doubts.**

MERGER POSSIBILITIES IN THE COPPERS

(*Continued from page* 451)

ground that it might be considered a monopoly in restraint of trade.

Although plans with regard to a consolidation of large copper companies may be somewhat nebulous so far as the public is concerned, there has been more or less discussion over the possibility and even probability, of ultimate closer co-operation among some of the large producers, those frequently mentioned being Kennecott, Chile, Nevada and Utah. These companies all have the advantage of large ore reserves, with corresponding long life, together with operating records which suggest that they are among the lower cost producers that might be able to co-operate to advantage.

There are two chief benefits in such a consolidation, namely, regulation of production with consequent influence toward stabilization and maintenance of market price, and reduction in overhead expenses incident to the maintenance of expensive individual administrative organizations. The first mentioned advantage is undoubtedly the most important one under consideration, although the second is certainly not to be ignored when we consider the tremendous expense involved in almost exact duplication of elaborate and extensive overhead administrative machinery.

Possible Disadvantages of Copper Consolidations

So far as disadvantages of such a merger are concerned, the arguments are more or less negative. The chief objection to be presented would probably be that such an organization might become unwieldy and fail to accomplish the ideal co-operation contemplated in the general scheme. Furthermore, it is often pointed out that such properties as would be operated under such a merger are located far apart, offering no opportunities so far as the exchange of intermediate products are concerned, and that many physical characteristics are so different as to offer little opportunity for direct physical co-operation.

In making light of the possible advantages of a consolidation of large copper producers, it is pointed out that such co-operation, virtually equivalent to a merger, already exists in the rather close relationship between such important and widely extended interests as those of the American Smelting & Refining Co. and the various operations in which Mr. Jackling has been the leading spirit. However close such a relationship may be, further steps in the same direction offer interesting possibilities, more particularly of interest to the common stockholders of the corporations that have been discussed in this connection. For example, it would be interesting to know which one of the companies to enter a consolidation now occupies the greatest strategic advantage, and has the possibility of profiting most by entering into a merger through some plan involving the exchange of existing securities for the stock of a holding company.

Kennecott, Chile, Nevada and Utah

In view of the fact that Kennecott, Chile, Nevada and Utah have been most frequently discussed in connection with such a merger, the accompanying statistical table has been prepared for the purpose of setting forth the chief physical and financial characteristics of these companies, so that the reader may determine for himself, if he is able to do so, which one of the companies is likely to gain the greatest advantage. It may be of interest to point out that the companies have been named hereinabove in the order in which they have been most often mentioned as having the most advantageous position in such a proposed consolidation.

The problem of determining the relative values to be assigned to the shares of the individual companies that may eventually enter such a merger is complex. Among the various factors to be considered are: capitalization, funded debt, available working capital, ore reserves and the present value thereof based on probable rate of extraction under the merger, present and potential earning ability, strategic position, and last but not least, bargaining ability.

UNLISTED UTILITY BOND INDEX

GAS AND ELECTRIC COMPANIES

	Asked Price	Yield
Bronx Gas & Electric Co. First 5s, 1960 (a)	85 bid	6.00
Buffalo General Electric First 5s, 1939 (c)	100	5.00
Canton Electric Co. First 5s, 1937 (b)	94	5.42
Cleveland Electric Ill. Co. 5s, 1939 (b)	98½	5.10
Cleveland Electric Ill. Co. 7s, 1935 (a)	98½	5.12
Denver Gas & Electric Co. First 5s, 1949 (c)	95	5.45
Duquesne Light Co., Pittsburgh, 7½s, 1936 (b)	107	6.45
Evansville Gas & Electric Co. First 5s, 1932 (a)	95	5.90
Kansas Elec. Utility First 5s, 1925 (c)	82 bid	10.50
Indianapolis Gas Co. 5s, 1952 (a)	87	5.90
Los Angeles Gas & Electric Gen. 7s, 1931	105	6.30
Louisville Gas & Elec. Ref. 7s, 1932, 1923 (c)	102	5.38
Nevada-Cal. Electric First 7s, 1946 (c)	87	6.25
Oklahoma Gas & Electric Co. First & Ref. 7½s, 1941 (c)	103	7.30
Oklahoma Gas & Electric Co. First Mtge. 5s, 1929 (a)	94	6.05
Peoria Gas Electric 5s, 1923 (a)	99	6.05
Rochester Gas & Electric Corp. Series B 7s, 1946 (b)	107	6.58
San Diego Cons. G. & El. First Mtge. 5s, 1939 (a)	87	6.40
San Diego Cons. G. & El. First Mtge. Ref. 6s, 1939	95	7.10
Standard Gas & Electric Conv. S. F. 6s, 1926 (b)	96	7.20
Standard Gas & Electric Secured 7½s, 1941 (c)	100	7.50
Syracuse Gas Co. First 5s, 1946 (a)	94	5.32
Twin-State Gas & Electric Ref. 5s, 1953 (c)	80	6.50

POWER COMPANIES

Adirondack P. & Lt. First & Ref. 6s, 1950	99½	6.15
Adirondack El. Power Co. First 5s, 1962	95	5.35
Alabama Power Co. First 5s, 1946 (a)	91	5.70
Appalachian Power Co. First 5s, 1941 (a)	88	6.00
Calif. Oregon P. Co. First & Ref. 7½s, Series A, 1941 (c)	104	7.10
Cent. Maine P. Co. First & Gen. Mtge. 7s, Series A, 1941	103	6.72
Cent. Maine Power Co. 5s, 1939 (a)	96	5.12
Cent. Georgia Power Co. First 5s, 1938 (c)	89	6.15
Columbus Power Co. (Georgia) First 5s, 1936 (a)	94	5.62
Colorado Power Co. First 5s, 1953 (c)	89	5.85
Consumers Power Co. (Mich.) 5s, 1936 (a)	95½	5.60
Electric Dev. of Ontario Co. 5s, 1933 (b)	94	5.65
Great Northern Power Co. First 5s, 1935 (a)	89	6.30
Great West. P. Co. First & Ref. 7s, Series B, 1950 (a)	105	6.60
Great West. P. Co. 5s, 1946 (a)	92½	5.60
Hydraulic Power Co. First & Imp. 5s, 1951 (b)	97	5.20
Idaho Power Co. 5s, 1947 (a)	92½	5.60
Kansas City Power & Lt. 8s, 1940 (c)	106	7.40
Kansas City Power & Lt. First 5s, 1944 (c)	95	5.42
Laurentide Power Co. First 5s, 1946 (b)	94	5.64
Madison River Power Co. First 5s, 1935	99	5.13
Mississippi River Power Co., First 5s, 1951 (c)	93	5.40
Niagara Falls P. Co. First & Cons. Mtge. 6s, 1950 (b)	100	6.00
Ohio Power First & Ref. 7s, 1951 (c)	104	6.65
Penn. Ohio Power & Lt. Notes 8s, 1930 (c)	101	7.80
Potomac Electric Power Gen. 6s, 1923 (c)	101	4.90
Puget Sound Power Co. First 5s, 1933	95	5.60
Salmon River Power First 5s, 1952 (c)	95	5.30
Shawinigan Water & Power Co. First 5s, 1934 (b)	100	5.00
Southern Sierra Power Co. First 6s, 1936 (c)	96	6.37
S. W. Power & Lt. First 5s, 1943 (c)	87½	6.12
West Penn. Power Co. First 7s, 1946 (c)	105	6.60

TRACTION COMPANIES

Arkansas Valley Ry. L. & P. First & Ref. 7½s, 1931 (b)	100	7.50
American Light & Traction Notes 6s, 1925 (c)	107½	3.30
Bloomington, Dec. & Champ. Ry. Co. First 5s, 1940 (a)	73	7.80
Danville, Champ. & Decatur 5s, 1938 (a)	85	6.25
Georgia Ry. & Power 5s, 1954 (b)	89	5.65
Kentucky Traction & Terminal 5s, 1951 (a)	77	7.00
Knoxville Ry. & Light 5s, 1946 (b)	85	6.20
Milwaukee Light, Heat & Traction 5s, 1929 (a)	97	5.50
Milwaukee Elec. Ry. & Light 7s, 1923 (c)	102	4.93
Milwaukee Elec. Ry. & Light 7½s, 1941 (b)	103	7.20
Monongahela Val. Trac. Co. Gen. Mtge. 7s, 1923 (c)	100	7.00
Memphis St. Ry. 5s, 1945 (a)	80	6.70
Northern Ohio Trac. & Lt. 6s, 1926 (c)	99	6.20
Nashville Ry. & Light 5s, 1953 (a)	93	5.50
Portland Ry. P. & L. 1st & Ref. Ser. "A" 7½s, '46 (c)	105	7.10
Topeka Ry. & Light Ref. 5s, 1933 (c)	85	6.80
Tri-City Ry. & Light 5s, 1930 (c)	91	6.25
United Light & Rys. Ref. 5s, 1932 (c)	84	7.25
United Light & Rys. Notes 8s, 1930 (c)	104	7.05

TELEPHONE AND TELEGRAPH COMPANIES

American Tel. & Tel. 3-Year 6s, 1922 (c)	100½	5.00
American Tel. & Tel. 5-Year 6s, 1924 (c)	101½	5.15
Bell Tel. Co. of Canada 1st 5s, 1925 (b)	96¼	6.50
Bell Tel. Co. of Canada 1st 7s, 1925 (b)	104	5.65
Bell Tel. Co. of Pa. 1st Refund. 7s, 1945 (c)	109	6.10
Chesapeake & Potomac Tel. Co. Va. 1st 5s, 1943 (c)	95	5.30
Home Tel. & Tel. Co. of Spokane 1st 5s, 1936 (c)	95	5.52
Western Tel. & Tel. Co. Coll. Trust 5s, 1932 (b)	97	5.35

*** Investors should note that the "asked" price on a bond may vary from 1 to 5 points from the "bid," depending upon the activity of the security.**

UNLISTED PUBLIC UTILITIES

HYDRO-ELECTRIC BONDS IN FAVOR

Securities of Power Companies Generating Electricity by Cheap Water Power Showing Diminishing Yields

OF all the different classes of investments to be found among teh public utility companies, those generating electricity by means of cheap water power seem to be most in favor. This is indicated by rapidly diminishing yields on many of the high-grade issues. That the investor has been picking them up in the present upswing of the bond markets is indicated by steadily advancing prices.

For the investor who is seeking A-1 investment propositions in high-grade companies with a long term maturity, it is becoming increasingly difficult to get 6%. There are still a few issues yielding 6% or close to that figure but they have to be dug out. Following are two high-grade investment propositions with long-term maturity which yield close to 6%. Both companies financially are considered excellent.

Niagara Falls Power Co.

Series A 6s

These bonds, due November 1, 1950, at present selling price of 103, show a yield 5.75% if held to maturity. This is one of our largest hydro-electric companies which operates in a fertile territory. It is a consolidation of the old Hydraulic Power Co. and the Cliff Electrical Distributing Co. operating at Niagara Falls and surrounding territory. Company is just now planning to increase output to meet expanding demand and has ordered three 70,000 horse-power hydro-electric generating outfits.

Earnings are well stabilized from year to year. The 1921 annual report showed that interest charges on outstanding bonds were earned 2⅓ times, which is a good margin.

Shawinigan Water & Power Co.

1st & Ref. Mortgage 6s

Shawinigan Water & Power Co. has plants on the St. Maurice River and serves the territory around Montreal and Quebec, lines running to both of these cities. Its growth is only limited by expansion in this territory. Company is excellently managed and its securities are considered high-grade issues.

First & Refunding Mortgage 6% gold bonds Series B and C, due July 1, 1950, are recommended as a high-grade investment issue with a long term maturity. At present selling price of 102 the yield is 5.80% if held to maturity. The 1921 earnings were at the rate of 2½ times interest requirements on bonds outstanding.

FOREIGN TRADE AND SECURITIES

(*Continued from page* 419)

What the London Stock Exchange is Doing

It is rather interesting to note the improvement in quotations which has taken place in the past year, that is from July 1, 1921, to June 30 last. We give a few examples:

	At end of June		
	1922	1921	Rise
Consols	58	48	9
War Loan 5%	100¼	88½	11¾
Argentine 4% Ry. Res'n	73	58	15
Midland Ry. 2½% deb	53	43	10
London & N. Western ord.	102½	69½	33
Canadian Pacific debentures	81	64	17
B. A. Western ordinary	75	53	22
Imperial Tobacco ordinary	61/3	47/6	13/9
J. & P. Coats	62/6	50/0	22/6

This rise has been due almost entirely to the decline in the value of money as represented by the fall in Treasury bill rates and in the Bank Rate. It is only a little more thana year ago that the Bank Rate was 6%, while the rate for Treasury bills was between 5 and 5½%. In many quarters it is considered that the advance in investments has almost reached its apex. Gilt-edged stocks now yield between 4½% and 5¼%. After deduction of income tax this is equivalent to between 3% and 3½% net, and it is considered that so long as income tax remains at 5s. in the £ investors will not be satisfied with less than 4½% gross interest on their investments. This would imply that the investors will continue to search for promising investments outside the gilt-edged departments, and if there are distinct signs of trade improvement the demand for good ordinary shares will probably expand.

In the Home Railway market there is still some buying by investors who feel confident that the companies will assure themselves of satisfactory profits before they concede to the demands for reduced passenger and freight rates. As a matter of fact there is a good deal that is obscure in the earning power of the railways, but it is incontestible that the pooling arrangements will bring about economy and that as the trade of the country improves the railways must benefit.

There are signs that investment demand is extending once more into the foreign government bond market, where relatively high yields are obtainable with reasonable security. The most pronounced movement of late has been the recovery in Argentine rails on the news of government sanction to an increase in rates, which, if faithfully carried out, will undoubtedly put a rosy complexion on the dividend prospects of the leading company.—*The Stock Exchange Gazette, London.*

TRADE TENDENCIES

(*Continued from page* 422)

part of June, now appears to be prepared for another upswing in the not distant future. The lull in buying which recently occurred was probably due first to satisfaction of immediate requirements of consumers, and second, to belief among buyers that a waiting attitude would bring about price recessions, in view of renewed production at the mines. The coal situation and threatened railroad strikes were undoubtedly added factors in the reduction of demand.

The last of these hindrances, namely, the coal and railroad strikes, are still existant, but of the other two, it is evident that consumers need must continue to be met in the face of increasing industrial activity while failure of production to expand to the extent that had been anticipated, when mining operations were originally resumed, has practically banished hope of any material recession in the price level. Buying is, therefore, becoming active again, and prices tend to return to the 14 cent level with indications that somewhat higher quotations will be witnessed before long.

PAPER

Newsprint Features

Newsprint paper is in active demand, consumption during the first four months of the current year being approximately ten per cent ahead of that for the same period of 1920, which was considered a year of abnormal demand. This unprecedented activity is undoubtedly due to the expansion in volume of advertising being done through the various newspapers in all sections of the country. While the quantity of advertising has been increasing ever since 1919, the growth during the four months ended April 30 this year has been very decided, exceeding the January-April period of 1919 by nearly a third. Circulation of the daily newspapers is also on the increase, as all previous records have been broken by figures for the past six months. Publishers are consequently ordering large tonnages of paper.

These developments have naturally given prices a very firm tone and furthermore, as industrial improvement continues, we may expect the demand for newsprint to expand still further. The stage would thus appear to be set for ultimately higher prices at which the manufacturers may earn a fair margin of profit. Stocks of paper on hand at the mills are at a satisfactory level, the total as of May 31 being only 28,000 tons compared with some 45,000 tons on the same date last year. Gradually dwindling importation of foreign newsprint removes a source of concern to American producers.

While record consumption of newsprint is easily the feature of improving conditions in the paper industry and other branches are showing more or less irregular recovery, the industry as a whole is distinctly on the up-grade as a result of betterment in business conditions which are reflected in the demand for paper. Recent labor troubles have been satisfactorily settled, stocks are low and while **current prices do not permit of any but**

narrow profit margins, these should advance to higher levels as growing consumption and reduced stocks compel buyers to compete for their needs. Costs will, of course, decline as operations expand.

SILK

Prospects Favorable

Although high prices for raw material and restricted buying power of consumers are obstacles to rapid recovery, there are indications that manufacturers of silk goods are facing a much brighter future. Sales have begun to increase and the mills, while resuming operations cautiously, are nevertheless reporting continuous gains.

The recent policy of holding production down to a minimum has been productive of favorable results as jobbers are beginning to experience difficulty in picking up finished goods at the low prices which were lately prevalent. Both retailers and jobbers, who have been filling only their more immediate requirements, have begun to change front as it becomes evident that prices are no longer likely to sag off. In fact, quotations now appear to be definitely on the upgrade.

Stocks of goods are generally low, with the exception of crepe, activity of the latter featuring demand in late weeks. Strength in artificial silk is likewise marked. The light supply of finished materials is a strong card for the manufacturers, since increased consumption is immediately reflected in expanding operations at the mills.

The raw silk market appears to be under close control and quotations are at a comparatively high level. The market has recovered from a considerable reaction which took place in the past few weeks and which was a natural consequence of the limited buying from American manufacturers. The main trend is upward, however, and there seems to be little hope for lower raw material costs in view of the strengthening demand for finished goods.

LEATHER

Beginning to Improve

The leather division is becoming more active as tanners gather greater confidence and as business recovery continues. The tanning interests show a disposition to hold off orders for future delivery, and material for immediate needs is moving at higher prices as a result of the stronger hide market. Generally, the activity in leather is more uniform than it has been for some time, nevertheless tanners are still operating on reduced schedules, running from 40% to 50% of capacity. Surplus stocks of leather, which have been a source of difficulty, should gradually become less troublesome as most of these

(*Continued on page* 475)

Over-the-Counter

IMPORTANT ISSUES

Quotations as of Recent Date

Aeolian-Weber	..	— 15
Pfd.	30	— 60
American Piano	65	— 72
Pfd.	81	— 86
American Type Founders	52	— 56
Atlas Portland Cement	58	— 64
Babcock & Wilcox	115	—120
Borden Co.	106½	—108
Bucyrus, pfd.	92	— 97
Celluloid Co.	90	—100
Childs Co.	110	—115
Crocker Wheeler	50	— 60
Jos. Dixon Crucible	134	—138
Gillette Safety Razor Co.	*223	—226
Ingersoll-Rand	152	—158
H. W. Johns-Manville	430	— ..
New Jersey Zinc	141	—143
Niles-Bement-Pond	48	— 50
Phelps-Dodge Corp'n	174	—179
Royal Baking Powder	103	—110
Singer Mfg. Co.	90	— 93
Stetson (John B.)	320	—340
Thompson-Starrett	58	— 65
Ward Baking Co.	107	—114
Yale & Towne Mfg.	305	—315

* Listed on N. Y. Curb Exchange.

Unlisted Stocks Hold Firm

IN the fortnight just passed, the more important securities dealt in in the over-the-counter market ruled steady to strong, with comparatively few price changes.

A feature of this Department's list (see table above) was Gillette Safety Razor stock which sold up above 224, a new high. Those who read the June 24th issue of THE MAGAZINE will remember the analysis of Gillette Safety Razor then published, in which the company's remarkable earnings record and strong financial position were brought out. The conclusion was reached, more or less inevitably, that the shares, offering a potential yield of over 15% on the then price, were "an unusual investment opportunity." Since then, as stated, the stock has advanced nearly 15 points to a record price.

Amplifying this Department's own findings, as brought out in the article referred to, the following statement recently received from an authoritative source, and not published elsewhere, should be of interest:

"Present sales of both razors and blades are substantially ahead of 19291.

"The Gillette Brownie $1.00 Safety Razor has proven a great stimulus in effecting wider distribution and more blade consumption.

"Foreign sales are extremely satisfactory—equal and above pre-war business."

Gillette stock, all of one class, and preceded by no funded debt, continues unusually attractive. The company has a splendid management, as its record shows, besides unusual distributing facilities, and about as good a trade name as there is; all of which encourages the belief that it will continue its amazing growth.

Finding the Bargains

The search for bargains in the over-the-counter market, which this Department has been conducting since December, last, has produced some interesting results. The table below, showing the names of the companies whose shares were recommended, the "then" price, the recent price, and the net change, tells the story in a nutshell. It is seen that in no single case has an investment "opportunity" failed to materialize, while in some cases the securities recommended have advanced 15, 20, 30 and even 36 points.

The experience is noteworthy in particular because it demonstrates the possibilities that lie in this vast unlisted market, providing only a decent amount of care and foresight is exercised in making selections. Investors are realizing more and more fully that many of the highest-type securities are dealt in on this market.

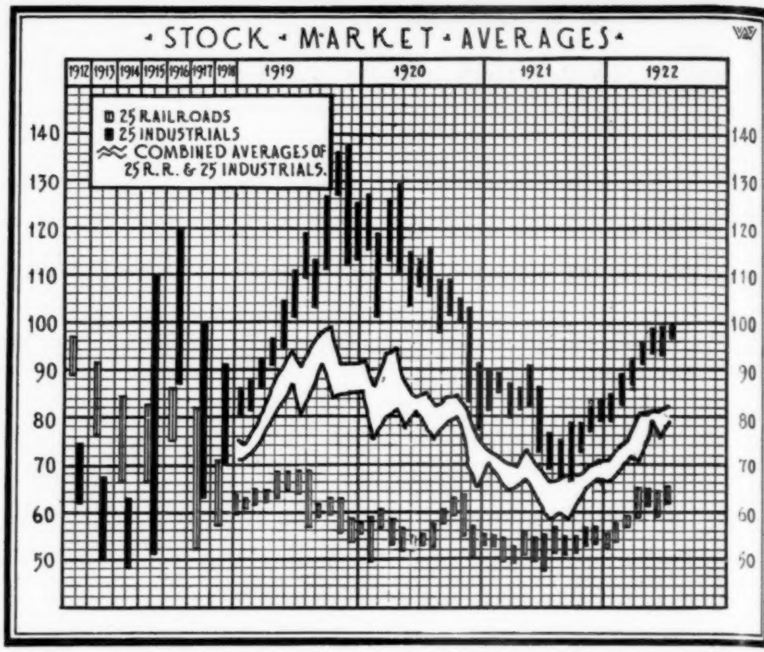
RECORD OF OVER-THE-COUNTER MOVEMENTS

	Date analyzed	Then price (Bid)	Recent price (Bid)	Change
Amer. Typefounders com.	12/10/21	38	52	+14
Niles Bement Pond	12/24/21	40	48	+ 8
Borden Company	12/24/21	94	106½	+12½
Safety Car Heating & Lighting	1/ 7/22	59	70	+11
Babcock & Wilcox	1/ 7/22	101	115	+14
New Jersey Zinc	1/21/22	124	141	+15
Ward Baking Co.	1/21/22	93	128	+35
Eastman Kodak	2/18/22	67	73	+ 6
General Baking Co.	3/ 4/22	77	*113	+36
American Piano	4/ 1/22	60	65	+ 5
Atlas Portland Cement	4/15/22	50	58	+ 8
Joseph Dixon Crucible	4/29/22	132	134	+ 2
H. W. Johns-Manville	5/13/22	400	430	+30
Bucyrus Co. (pfd.)	6/10/22	92	92	..
†Gillette Safety Razor	6/24/22	210	224	+14

* Now listed on N. Y. S. E. † Now listed on N. Y. Curb.

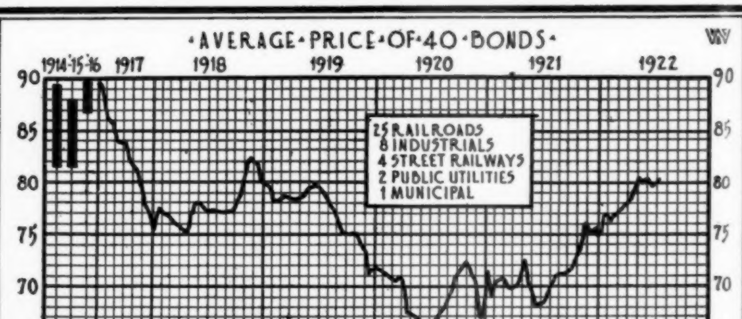
IMPORTANT DIVIDEND ANNOUNCEMENTS

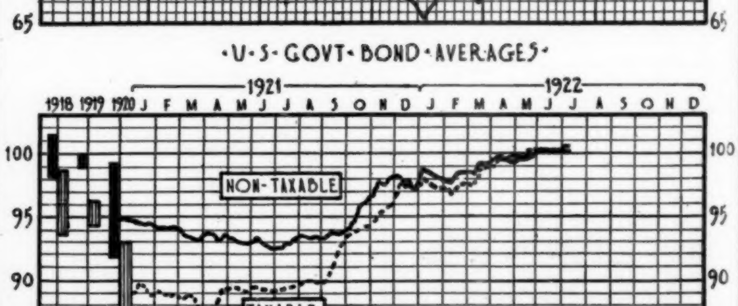
Ann. Rate		Am't Declared		Stock Record	Payable
7%	Acme T 1st & 2d pf	1¾%	Q	8-12	9- 1
8%	Alliance Realty Co..	2%	Q	7- 8	7-18
$4.00	Allied Chem com...	$1.00	Q	7-17	8- 1
$4.00	Am Bk Note com..	$1.00	Q	7-26	8-15
6%	Am Cigar com.....	1½%	Q	7-15	8- 1
$8.00	Am Glue pfd.......	$2.00	Q	7-15	8- 1
7%	Am Ice com.......	1¾%	Q	7- 7	7-25
6%	Am Ice pfd........	1½%	Q	7- 7	7-25
4%	Am Lt & Tr com...	1%	Q	7-14	8- 1
4%	Am Lt & Tr stk...	1%	Q	7-14	8- 1
6%	Am Lt & Tr pfd....	1½%	Q	7-14	8- 1
5%	Am Seeding M com	1¼%	Q	6-30	7-15
6%	Am Seeding M pfd.	1½%	Q	6-30	7-15
7%	Am Shipbldg pfd...	1¾%	Q	6-30	8- 1
8%	Am Shipbldg com...	2%	Q	6-30	8- 1
5%	Am Tel & Cable...	1¼%	Q	8-31	9- 1
$4.00	Assoc Dry Gds com	$1	Q	7-15	8- 1
$6.00	Assoc Dry Gds pfd	$1.50	Q	8-12	8- 1
$7.00	Assoc D Gds 2d pfd	$1.75	Q	8-12	8- 1
$7.00	Atlantic Ref pfd....	$1.75	Q	7-15	8- 1
5%	Atlas Powder pfd..	1½%	Q	7-20	8- 1
4%	Balt & Ohio pfd...	2%	SA	7-15	9- 1
$8.00	Borden Co com....	$4	SA	8- 1	8-15
$6.00	Borden Co pfd....	$1.50	Q	9- 1	9-15
7%	Brit Emp St pfd B	1¾%	Q	7-15	8- 1
$7.00	Brown Shoe pfd...	$1.75	Q	7-20	8- 1
7%	Buf & Susq com...	1¾%	Q	9-15	9-30
2%	Carolina P & Lt..	½%	Q	8- 1	8-15
$4.00	Chicago Pneu Tool..	$1.00	Q	7-15	7-25
$8.00	Commonw'th Edison	$2.00	Q	7-15	8- 1
—	C'nw'th Fin c (stk)	10%	—	6-30	7-15
$7.00	C'nw'th Fin pfd....	$3.50	SA	6-30	7-15
$6.00	Consolidation Coal.	$1.50	Q	7-15	7-31
$7.00	Cont Motors pfd...	$1.75	Q	7- 9	7-15
—	Cramp Ship & E...	$25	Ext	7-10	7-14
12%	D L & W Railroad	3%	Q	7- 8	7-20
8%	Diamond Match....	2%	Q	8-31	9-15
6%	Du Pont de N deb.	1½%	Q	7-10	7-25
7%	Duquesne Lt pfd...	1¾%	Q	7- 1	8- 1
$8.00	Eureka P Line....	$2.00	Q	7-17	8- 1
5%	Fajardo Sugar......	1¼%	Q	7-20	8- 1
6%	F'stone T&R 6% pf	1½%	Q	7- 1	7-15
7%	F'stone T&R 7% pf	1¾%	Q	8- 1	8-15
$10	Fisher Body com...	$2.50	Q	7-21	8- 1
$7.00	Fisher Body pfd...	$1.75	Q	7-21	8- 1
7%	Franklin Co pfd...	1¾%	Q	7-21	8- 1
$1.00	Gen Development..	25c	Q	8-10	8-21
4%	Hart, S & Marx c.	1%	Q	8-18	8-31
—	Homestake Min....	25c	mo	7-20	7-25
10%	Hupp Motor com..	2½%	Q	7-15	8- 1
6%	Int Paper pfd.....	1½%	Q	7- 7	7-15
7%	Kelsey Wheel pfd..	1¾%	Q	7-20	8- 1
$4.00	Kress S H common	$1.00	Q	7-20	8- 1
5%	Laurentide Power..	1¼%	Q	6- 3	7-15
7%	Louisville G & E pf	1¾%	Q	7- 1	7-15
$12	Mexican Pet com..	$3.00	Q	6-15	7-10
$2.00	Miami Copper.....	50c	Q	8- 1	8-15
—	Moon M Car com..	25c	ini	7-15	8- 1
8%	New Jersey Zinc...	2%	Q	7-31	8-10
$2.00	N Y Transp'tion...	50c	Q	7- 1	7-15
7%	Norfolk & W com..	1¾%	Q	8-31	9-19
$4.00	Norfolk & W Adj pf	$1.00	Q	7-31	8-19
8%	Nor States Pr com.	2%	Q	6-30	8- 1
7%	Nor States Pr pfd.	1¾%	Q	6-30	7-20
—	Paige Detroit com..	6%	—	6-30	7-10
4%	Penn Railroad.....	1%	Q	8- 1	8-31
5%	Pere Marq 5% pfd.	1¼%	Q	7-15	8- 1
5%	Pere Marq 5% pfd.	1¼%	Ext	7-15	8- 1
5%	Pere Marq Pr pfd..	1¼%	Q	7-15	8- 1
7%	Philips Jones pfd..	1¾%	Q	7-20	8- 1
5%	Pitts Coal com.....	1¼%	Q	7- 7	7-25
6%	Pitts Coal pfd.....	1½%	Q	7- 7	7-25
$6.00	Pitts & W Va pfd..	$1.50	Q	8- 1	8-31
5%	Postum Cereal com.	1¼%	Q	7-23	8- 1
$8.00	Postum Cereal pfd.	$2.00	Q	7-23	8- 1
$7.00	P S of North Ill c.	$1.75	Q	7-15	8- 1
$6.00	P S of North Ill pf	$1.50	Q	7-15	8- 1
—	Reo M Car (stock).	100%	—	7-15	8- 1
7%	Shaffer O & R pfd.	1¾%	Q	6-30	7-25
—	Shell Trans & T...	$1.55	—	7-17	7-25
7%	Span Riv P & P c.	1¾%	Q	...	7-15
7%	Span Riv P & P pfd	1¾%	Q	...	7-15
10%	Union Natural Gas	2½%	Q	6-30	7-15
10%	United G & El pfd..	2½%	SA	6-30	7-15
7%	U S Finishing com.	1¾%	Q	6-22	7-15
$8.00	U S Rubber pfd...	$2.00	Q	7-15	7-31
$2.00	Ventura Cons Oil..	50c	Q	7-19	8- 1
—	Ventura Cons Oil..	50c	Ext	7-19	8- 1
$1.00	Warner Co Chas c.	25c	Q	6-30	7-17
7%	W'ner Co 1st&2d pf	1¾%	Q	...	7-27
6%	West Penn Rys pfd	1½%	Q	9- 1	9-15
6%	West P Tr&WP pfd	1½%	Q	8- 1	8-15
6%	Western Power pfd	1½%	Q	6-30	7-15
7%	W States G & El pf	1¾%	Q	6-30	7-15
—	York Rys com....	50c	ini	7- 5	7-15
5%	York Rys pfd.....	1¼%	Q	7-20	7-30



MARKET STATISTICS

	N.Y.Times 40 Bonds	Dow, Jones Avgs. 20 Indus.	20 Rails	N.Y.Times 50 Stocks High	Low	Sales
Monday, July 3..........	79.96	92.92	84.52	79.83	79.49	223,500
Tuesday, July 4..........		H O L I D A Y				
Wednesday, July 5.......	80.13	92.97	84.66	80.19	79.50	601,975
Thursday, July 6.........	80.45	93.97	87.58	81.51	79.71	838,200
Friday, July 7...........	80.56	94.63	87.16	82.17	80.97	912,808
Saturday, July 8..........	80.51	95.53	86.11	81.28	80.32	366,720
Monday, July 10..........	80.56	93.90	86.14	80.96	80.06	565,553
Tuesday, July 11.........	80.44	94.17	86.45	81.50	80.70	506,000
Wednesday, July 12......	80.71	94.88	86.95	82.08	81.01	771,921
Thursday, July 13........	80.75	94.65	86.47	81.63	80.76	788,921
Friday, July 14...........	80.84	94.96	86.24	81.37	80.39	806,643
Saturday, July 15.........	81.39	95.35	86.56	81.61	80.90	286,775





MAKING "THE OTHER FELLOW" BUILD YOUR INCOME

(Continued from page 443)

In the actual application of this plan it even works out to better advantage than the above table would indicate, because when interest on both mortgages and Trust certificates is collected quarterly, the compounding process may be started earlier than is indicated here.

Conclusion

My policy for investing in first mortgages is simple—loan only on new, or nearly new houses, in local territory where values are known and changing conditions can be readily detected. *Small loans and many pay the surest interest, I find.*

It was not the mere amassing of that first $1,000 as a result of which I am moving towards prosperity. It was rather the vicissitudes and the hardships I went through to gain it which made me wise. It takes wisdom to find the paths of least resistance through life, and every man must pay in some way or another for the "wising" he gets. So I am cheerful about my past losses and hard work. I have capitalized on them.

Note: The comment might be made that the success of Mr. Killick's plan depends upon the continued availability of the Trust Certificates to which he refers, and at the price he mentions; also upon his continuing to exercise perfect judgment in his mortgage dealings. This comment would not, however, diminish in the least the basic excellence of his plan and its value as proving that small sums can quickly be built into large ones, if the investor is wide awake and uses his head.

INDUSTRIAL EXPANSION AND THE RAILROADS

(Continued from page 427)

1920, and by 1925 the volume the greatest of all times. Looking ahead to 1930, when the European situation will probably be back to normal, we find, on the progressive basis, a probable volume of traffic of over 450 million ton-miles.

A Decade of Expansion

As the railroads stand today, they are in no position to handle, adequately, a volume of traffic as large as in 1920, and they would be in an almost hopeless position if they were confronted with another big boom. Although freight traffic increased over 40% from 1915 to 1920, there was comparatively a negligible increase in the number of miles operated by the roads as a whole in this period. Freight car buying has not been sufficient to take care of normal replacement requirements since 1917, to say nothing of providing for such a volume of traffic as the roads handled in 1918 and 1920. Locomotive orders have been just about sufficient to take care of replacement requirements.

At the present time the roads have enough equipment to handle a volume of traffic about 10 to 15% ahead of the current volume, but figuring on normalcy again, they would fall far short of re-

quirements. Looking ahead from five to ten years and it becomes quite evident that the carriers would be in a hopeless maze.

All these facts point unmistakably to a period of large expansion and extensions to property. New construction work on a big scale and equipment buying in large quantities. The railroads have not kept pace with industrial conditions in the past five years. This condition will have to be rectified in the next five years or the carriers will be a hindrance to the very prosperity they are seeking, instead of an important aid. There will probably be railroad financing on a larger scale than at any time during the past twenty years. We are entering a new era for the railroads and it will take hundreds of millions of dollars of capital to finance the growing needs of the country. What has been delayed to date cannot be delayed much longer, unless there is to be sudden chaos in the industrial situation.

Securities Analyzed in This Issue

IS PROSPERITY AHEAD FOR THE FARMING POPULATION?
(*Continued from page* 417)

prospect this year, storage stocks of pork and lard are low and the greater production will permit replenishment of stocks. A recent survey shows that in the Corn Belt States there was a net increase of 14.5 per cent in the number of pigs produced during the first half of 1922 compared with the number produced the first half of 1921. A prospective increase of 49 per cent in fall farrowing over those of 1921 is indicated.

There is also a disposition among farmers to increase their herds of beef cattle this year in an effort to make up for shortages in 1920 and 1921, when beef production cost more than farmers received for it. The number of cattle on a large number of farms well distributed throughout the country shows a gain of 7 per cent during the first four months of 1922. Comparison with preceding years shows a gain during this period in 1920 of only 2 per cent. Some recuperation of the beef industry this year is in evidence.

The sheep situation is considerably improved over 1921. Reports from farmers in all parts of the country show an average price to farmers of $6.09 per 100 lbs. on June 15, compared with $4.75 on June 15, 1921. Lambs also have increased in price from $7.59 to $9.87, wool from 15.4 cents per pound to 32.8 cents. The price of wool to farmers has more than doubled during the year.

Conditions Abroad

Any general story of crop conditions would be incomplete without a discussion of the contemporaneous crop situation in other countries. Advices from several sources agree that crop conditions in Russia are average to good. One report is that "according to Soviet estimates there will be a surplus of grain this year. Taking Russia as a whole, officials assert it is probable Russia will be able to export some grains."

General crop conditions in Europe as a whole are reported to be slightly below normal. Crops are generally good in Rumania. The wheat crops of Algeria and Tunis are almost a failure. It has been reported that these countries would need to import wheat during next year. The smaller acreage of wheat sown and the below average condition will result in larger requirements of wheat from exporting countries. According to a recent cable, Broomhall estimates the import requirements of Europe, exclusive of Russia, at 56,800,000 bushels more than last year.

Crop conditions in Canada are generally good. Acreage sown this year has been estimated to be a little less than sown last year. The official estimate for wheat this year is 22,464,000 acres, compared with 23,261,000 acres last year. However, larger production is forecast, the official forecast for this year being 338,000,000 bushels compared with 301,000,000 bushels in 1921.

WHERE THE EQUIPMENTS STAND TODAY

(Continued from page 431)

more business this year than Baldwin, and its balance sheet shows better financial position, as current assets do not show nearly as many foreign securities held. These securities are subject to considerable depreciation, but Baldwin has a reserve set up for such a contingency, however. In order to handle its large foreign business Baldwin's financial requirements were heavier. On December 31st last, the company's bills and accounts payable totaled $10,590,718, and its receivables totaled $20,394,404.

For the long pull, Baldwin should be held for higher prices.

LIMA LOCOMOTIVE

New Financing—Common Stock Very Attractive at Current Levels

Company is doing big business. The Lima Locomotive Company is doing the best business of any of the locomotive producing companies in comparison with its capacity. This company has a capacity for turning out about 600 locomotives per annum. In the first six months of the year orders for 126 locomotives were booked, indicating operations of over 40% of capacity. As a matter of fact, Lima is said to be operating at 50% of capacity at this time. During 1921 Lima operated on an average of 50% of capacity and reported a balance of $21.50 a share in the common for the year. The cost of locomotives today is well below the price prevailing during the first half of 1921, and, while operating expenses have also declined, it has not been to the same extent as the reduced prices for the finished product. While the writer believes a small balance was earned on the common during the six months period, Lima undoubtedly had to dip into surplus to pay the two regular quarterly dividends. Indications are that the dividend will be fully earned for the balance of the year.

Directors of the company are very bullish on the prospects for big business throughout the coming year, and definite plans were announced last month to provide for the expansion of the company's facilities for handling the business. Approximately $3,200,000 will be raised through issuance of new stock, about $1,500,000 of which will be used for expanding the facilities of the plants. When the expansion program is completed Lima will have an annual capacity of about 900 locomotives, and $1,393,000 will be used to retire outstanding 6% bonds due in 1932.

Common stockholders will receive two new shares of no par value stock for each share of $100 par value now held and the right to subscribe for 1 1/3 shares of new stock for each share now held. If the preferred stockholders exercise their rights to exchange their stock for two shares of common, there will be approxi-

(Continued on page 474)

mately 207,000 shares outstanding. If business comes up to expectations, it is the intention of directors to place the new stock on $4 annual dividend basis in December, which would be the equivalent of 8% on the $100 par value stock now outstanding. Lima common is now selling around $106 a share and has sold as high as $118 this year. The stock yields more than Baldwin or American Locomotive, and if it is placed on an 8% basis this year, the new stock would be entitled to sell at around $70 a share. Lima has not created very much public interest in the past, because of the exceedingly small issue and narrow market which existed. This fact will be eliminated by the increase in the number of shares outstanding.

Lima common is a very attractive purchase at current levels.

PULLMAN

8% Dividend None Too Well Secured

The Pullman Company issued a very gloomy annual report for the calendar year 1921. Operations of the company's sleeping and parlor cars resulted in a net deficit of $227,306, before taxes. After taking into consideration income from manufacturing operations, less taxes, the deficit amounted to $1,473,958. The company credited the year's earnings with $2,798,506, due from the government for the period of Federal control, leaving net income of $1,324,549 for the year. In order to pay the $9,548,916 of dividends on the common the company had to dip into the surplus to the extent of $8,213,-269. The company is still in a strong financial position and should do materially better this year. Expense of operating sleeping and parlor cars has been reduced in common with the generally low level of railroad operating expenses. Large orders for freight car equipment have been placed and the combined plants of Pullman and Haskell & Barker are working well over 50% of capacity from outside orders alone.

While Pullman has an excellent chance of earning its dividends this year, there does not appear to be anything particularly attractive in the stock at current levels. The yield at current prices of around $121 a share is attractive, but this is offset by the uncertainty as to whether directors will continue to pay the 8% dividend if it is not fully earned.

AMERICAN CAR & FOUNDRY

An Under-rated Investment Security—Common Dividend Well Protected

The American Car & Foundry Co. recently issued its annual report for the fiscal year ended April 30th, 1922. The report bore out the writer's estimate of close to $15 a share on the common, in the January 7th issue. Actual earnings amounted to $14.95 a share on the common. This showing was very good in view of the lean freight car buying of last year. Orders for new freight cars probably did not keep the company's plants operating at better than 20% of capacity, throughout the 12 months, but repair work was very heavy and business from other sources enabled the company to fully earn its 12% dividend. The three year dividend reserve set up as a contingency to meet lean periods, has not been touched as yet, and there is little indication that it will be at any time during the next year or so. The freight car production of this company has increased materially since the first of the year, and the number of orders received in the period from May 1st to June 30th was particularly heavy. Car Foundry has booked orders for nearly as many freight cars in the first six months of this year as it produced in the entire twelve months to April 30th, 1922. On the basis of this year's orders, the company must be operating at close to 40% of capacity on this work alone. Repair work is still being received in large quantities, so that all in all the outlook for the company is very promising.

Car Foundry common, selling around $165 a share, gives the investor a return of about 7.3% in the investment. This compares as follows with other leading equipment and industrial securities:

	Yield
Baldwin Locomotive	6.1%
American Locomotive	5.3%
Lima Locomotive	6.7%
Pullman	6.6%
Corn Products	5.8%
U. S. Steel	5.1%

It is true that most of the above companies are in line for increased dividends in the not distant future, whereas it does not seem likely that Car Foundry will pay any higher rate for some time to come. Nevertheless, the soundness of the company's stock entitles it to sell on a higher investment plane. On its investment merits alone the common should be selling at over $180 a share. At current levels the stock is an exceptionally attractive investment with good speculative possibilities.

General Conclusion

The equipment stocks as a whole are very good long-pull investments, with excellent speculative possibilities, because of the large potential requirements of the railroads. It is only a question of time before the carriers will be placing enormous orders for all kinds of equipment. There is a need for more equipment right now to prepare for increased volume of traffic, besides the need for an abnormally large number of freight cars to make up for the subnormal replacement demand of previous years. In addition to this, it does not require a very vivid imagination to see the railroads called upon to handle a volume of traffic such as has never been equalled in the history of the country. Existing transportation facilities will be taxed more and more as economic conditions throughout the world right themselves. It is the writer's opinion that in the coming years there will be an increasing need for new equipment of all kinds.

TRADE TENDENCIES

(*Continued from page* 465)

are now in the hands of the tanners and the shoe manufacturers have light supplies.

Although present prices of leather are yet too low to create much enthusiasm among tanners, this condition is being corrected as demand expands, a tendency that should continue with the greater production of footwear.

Shoe manufacturing interests are receiving a larger volume of orders, the majority of which are for medium and low-priced styles. Retailers are carrying light stocks and distributors operate rather cautiously. Sales are increasing, however, and, once the Fall demand is fairly under way, the retailers may be expected to purchase more aggressively in order to meet consumer requirements and to build up depleted stocks. With higher leather prices in prospect, hardening of shoe prices is indicated for the Fall. At the present time, increased volume of sales compensates for lower unit selling prices. The leather industry, as a whole, faces a period of gradually improving prospects.

THE MEXICAN OIL SITUATION

(*Continued from page* 447)

oil produced at a fixed price under long-term contracts.

"Stockholders should recall at this time that the Mexican Seaboard Oil Company has several million acres of land in reserve as outlined in our letter of June 6th, last. Exploration work is being conducted at several points on these undeveloped and unproven areas, which areas were selected under the best geological advice obtainable. Our experts believe these areas present as good geological conditions as the so-called Tampico fields, but we repeat these areas are unproven. The search for new producing areas is being conducted by the same organization which discovered the Naranjos pool and located and developed our Toteco acreage. This record, we feel, constitutes the best recommendation for our field organization, which, in our opinion, is fully as capable and efficient as any oil prospecting and producing organization anywhere.

"In conclusion, and to refute rumors to the contrary, we wish to state that the large stockholders and those connected with the management of the company, are not selling their stocks. In fact, the large holders have materially increased their original holdings. Since the inception of the company these large holders have considered it entirely from the point of view of property it owns and earnings accruing from development and operation of these properties, and not from market fluctuations of the stock. The company will continue the policy of developing its holdings in order to obtain, in the form of earnings, the best results for its stockholders."

(*Continued on next page*)

What Present Production Indicates

While the three companies above mentioned have agreed to restrict production to 155,000 barrels per day, it is generally understood that up to about the time our subscribers will receive this issue, production may be held down to 120,000 barrels per day. After that, its proportion of the output will enable Seaboard to take out, including its royalties on Gulf Company's production, 53,000 barrels per day, to which should be added the 10,000 barrels per day production from Panuco. This output will yield $500,000 per month toward paying off of the remaining $3,500,000 debentures, which, by the way, are not due until 1929, and are merely being anticipated. It will also enable the company to pay dividends of 50 cents per month per share and to charge off $500,000 per month for reserves.

Any company which can make such a showing would not seem to be in a bad position, but the fact must constantly be kept in mind that not even the company's own officials can say how long the Toteco output may be relied upon, and it is this unknown quantity that causes the stock to sell around 30 to 35 instead of its former price of 45. The decline to 26 was occasioned by the fact that a very large amount of the voting trust certificates had been sold to a syndicate, and this stock was distributed to a greater or less extent among investors who became frightened at the sensational reports emanating from the Mexican field. The decline was further accelerated by bear raiding, which appeared to have run its course one day last week when the stock recovered from the low point to about 35.

As Mexican Seaboard stands today, it is a good dividend paying oil speculation. It is in exactly the same position as Mexican Petroleum used to be when it sold in two figures and salt water raids were occurring frequently. Seaboard is selling in the market at about $30,000,000, compared with a market value of $72,000,000 for Mexican Petroleum stock. Its earning power at present is, roughly, half that of Mexican Petroleum.

While there may be a great deal of money made in Mexican oil stocks, the uncertainty of this class of securities has recently been demonstrated, and it is our opinion that while one may be missing an opportunity, there are plenty of these among the numerous American oil stocks. While the latter might keep us awake occasionally, they would hardly ever keep us walking the floor all night. The best course for holders of Mexican Seaboard who were not shaken out during the weakness, is to close out on any recovery to between 35 and 40. In view of the company's position in Toteco, the prospect that its earnings and dividends will continue as stated above at least for a certain period, and the strong probabilities that other important production will be brought in by its aggressive field organization, we consider it reasonable to expect that such a recovery will ensue. When this occurs, however, it would be well to dispose of the stock and buy instead shares of a well-rounded American producing, refining and marketing organization like the Standard Oil, Cosden, Texas Co., Sinclair, as these, in the long run, should combine safety, income, increase in principal, and, what is very often more important, peace of mind.

OUTLOOK FOR THE PRINCIPAL INDUSTRIES

(*Continued from page* 421)

tive to retrenchment moves by consumers —automobile and accessories, leather goods and jewelry—the survey shows a condition that should be fairly barometric of the up-swing of general business. Present business is fair, good or excellent in the automotive line, according to ninety-six per cent of the replies, while ninety-eight per cent call Fall prospects either fair, good or excellent, the two per cent minority having no outlook for anything but poor business. An improvement over last year's business is shown by ninety per cent of the answers, with only two per cent reporting a slump, and the rest no change. Stocks on hand are shown to be low in thirty per cent of the cases, with only three per cent reporting overstock and the rest normal. Increased employment is the rule in eighty-six per cent of the plants, while eighty-four per cent assert their expectation of Fall increases.

And with this actual report of conditions, I find that the employers are making no demands for reductions in wages; they want production increased through efficiency alone and a man giving a complete day's work for a complete day's pay. That is only fair and applies not only to the workman but to the executive as well. I firmly believe that the general efficiency of all the labor in our country, factory labor and office labor, was badly curtailed through the evil influences and waste of the war; but we have come to the end of that. The employers of this country want their employees well paid and they want to be well repaid—repaid in production. The employers want the men to work under favorable conditions to have every opportunity for the development of themselves and their families. For, aside from every other factor, the employer realizes that only when the masses of the people are prosperous and contented, can industry be prosperous and contented, for industry is not the particular property of a few fortunate people.

BROOKLYN EDISON CO. INC.

(*Continued from page* 444)

Current Earnings

Official estimates of current earnings have not been forthcoming and the company publishes only the annual statement. It has been estimated that in the six months ended June 30, gross earnings were at an annual rate of close to $20,000,000 compared with gross of $16,396,000 in 1921 and $13,174,000 in 1920. With operating costs declining, any such showing as gross of $20,000,000 should be reflected in net to a good extent so that 1922 as a banner year in its history can be readily visualized.

Accompanying table shows the condensed record of the company for the past ten years. It is particularly interesting to note the low operating ratio enjoyed by the company. Operating ratio is the relation of gross to net, in other words, the percentage of gross earnings which is needed for operating expenses exclusive of fixed charges and dividends. In comparison with other companies, the operating ratio is one of the best and it has a record in this respect equalled by only a few.

The additional $10,000,000 capital stock which has just been issued will of course decrease net earnings per share on the stock for a while, but this should more than be made up by increased earnings from additional plant facility.

Interest in company's bond issues centers chiefly in the General mortgage Series A 5% bonds due 1949 and General mortgage Series B 6% bonds due 1930, Series C 7s due 1930 and Series D due 1940. All issues are high-grade investment propositions.

The stock has always enjoyed an extremely high rating. Its range this year has been between 100 and 110, but within the last few years its average price has been well above par while back fifteen years ago the stock sold well above 200. Price range on the New York Stock Exchange 1917-1921 is as follows: 1917, 124-95; 1918, 104-87; 1919, 102-85½; 1920, 96¾-82; 1921, 101-88.

Conclusion

Everything considered, the capital stock par value $100 and paying $8 annually, selling around 108 should be attractive and shows good possibilities for higher prices in addition to security of yield. The stock is traded in on the New York Stock Exchange and at present price of around 108 the yield is approximately 7½% annually with possibilities of enhancement in value marketwise. Better favor with which utility stocks are regarded together with outlook for this particular company appear auspicious for higher prices.

BROOKLYN UNION GAS CO.

(*Continued from page* 445)

reductions on the basis of excessive earnings do not appear likely and certainly do not appear justified.

Recent Financing

Recent financing put through by the company followed closely on the heels of the Supreme Court decision and was for the purpose of capitalizing to some extent the large equities in the properties and to provide funds for additional extensions and betterments. An issue of $6,000,000 first mortgage bonds was authorized and sold, also $5,579,000 of convertible 7% debentures. Subsidiary companies also applied for and received permission to issue $5,347,000 additional securities. The result of this was to wipe out its floating debt and place it in possession of ample

working capital in addition to providing funds for improvements. During the ten year period, 1911-21 about $8,000,000 had been expended for betterments, while the company had been reimbursed to the extent of $2,000,000, represented by an issue of debentures issued a few years ago. An idea of the manner in which some of its properties had been under-capitalized can be obtained from the fact that Flatbush Gas Co., a subsidiary, had invested $5,500,000 in its properties, but total outstanding capitalization was only $200,000, while Newtown Gas Co., with $6,000,000 property, was capitalized at $250,000. Brooklyn Union owns securities of the underlying companies and in these two subsidiaries had a high equity which on its face was not disclosed.

Possibilities

Speculative possibilities for Brooklyn Union Gas Co. stock do not seem to have been exhausted by the recent declaration of a $2 quarterly dividend. The size of the initial disbursement was a surprise to Wall Street, as it had been expected that stock would be placed on a $6 annual basis with extra annual payments of $2 a share. In 1919, when dividends were lopped off, the stock paid $6 annual, with an extra $2, making $8. During the two and a half years, 1919-1922, when no dividends were paid, stockholders were deprived of $20 a share on the basis of the $8 rate. While there is no official utterance on the subject, it is felt that with earnings this year probably the best in history, some attempt to reimburse stockholders for their loss by payment of an extra dividend may be made.

In former years the stock has paid as high as 9½% annually, so that possibility that higher dividends can be looked for, for a continuation of good earnings does not seem far-fetched. For instance, in 1905 the stock sold as high as 215 and $9.50 a share was paid during the year. Indicating its high rating, the capital stock in the ten year period, 1911-1921, up until the beginning of high operating costs in 1917, never sold below 118 and its average price was above 125.

Conclusion

The 7% convertible debentures recently issued should commend themselves to the careful investor and have the speculative feature of being convertible into stock on the basis of par for par after November 1924. Debentures mature in 1932, and at present selling price of 106, a yield of 6⅛% is obtained if held to maturity. The issue can be classed as a good investment proposition with added possibilities by way of the conversion feature.

With its $8 annual dividend and earning power which seems assured, Brooklyn Union Gas securities have again come into favor. The capital stock of which there is $18,000,000 outstanding, par value $100, has had a remarkable advance in price which seems fully justified on the approved outlook. Selling at recent price of around 109, the yield on the stock is 7.3% and with better operating conditions the stock offers good possibilities for enhancement in value.

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